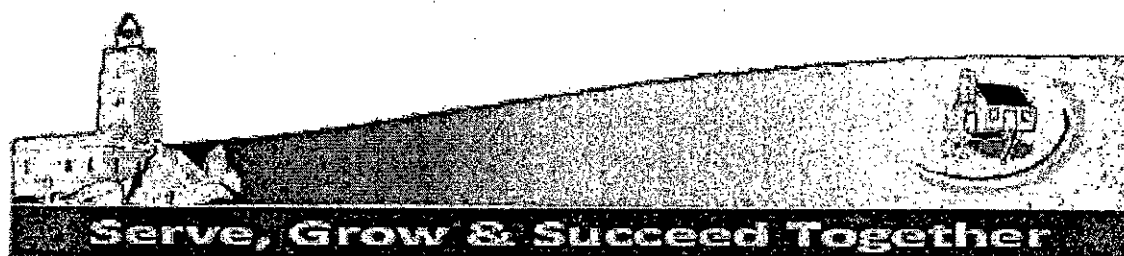


Saldanha Bay Municipality
Annual Financial Statements
for the year ended 30 June 2012



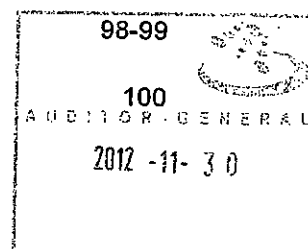
Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Index

The reports and statements set out below comprise the annual financial statements presented to the Council:

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgment and estimates.

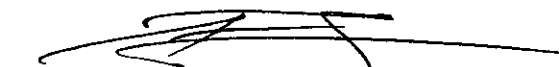
The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

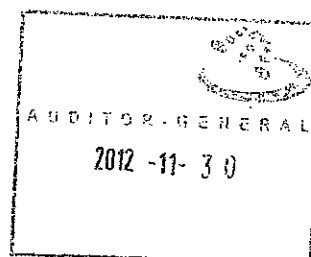
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 4 to 81, and Appendices A to J, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2012 and were signed on its behalf by:


Accounting Officer

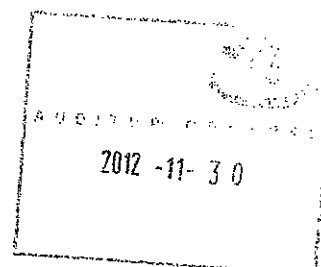


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Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Assets			
Current Assets			
Inventories	4	13 986 224	6 455 188
Operating lease assets	6	333 312	327 340
Other receivables from exchange transactions	7	29 274 962	25 497 501
Other receivables from non-exchange transactions	8	6 187 426	7 391 505
VAT receivable		-	503 273
Trade and other receivables from exchange transactions	9	86 071 941	68 573 313
Cash and cash equivalents	10	499 034 885	452 433 314
		<u>634 888 750</u>	<u>561 181 434</u>
Non-Current Assets			
Investment property	11	3 860 000	3 335 000
Property, plant and equipment	12	1 947 716 073	1 964 482 515
Intangible assets	13	990 054	1 475 796
		<u>1 952 566 127</u>	<u>1 969 293 311</u>
Non-current assets held for sale	14	194 586	7 140
Total Assets		<u>2 587 649 463</u>	<u>2 530 481 885</u>
Liabilities			
Current Liabilities			
Other financial liabilities	15	11 851 412	10 489 260
Finance lease obligation	16	306 840	273 933
Operating lease liability	6	-	65 033
Trade and other payables from exchange transactions	17	64 124 220	68 609 678
VAT payable		5 036 686	-
Consumer deposits	18	12 264 799	11 024 705
Retirement benefit obligation	19	2 248 000	2 290 000
Unspent conditional grants and receipts	20	51 846 634	20 172 840
		<u>147 678 591</u>	<u>112 925 449</u>
Non-Current Liabilities			
Other financial liabilities	15	65 449 241	77 672 426
Finance lease obligation	16	1 034 828	1 308 968
Retirement benefit obligation	19	58 874 000	54 429 000
Provisions	21	51 614 800	48 693 208
		<u>176 972 869</u>	<u>182 103 602</u>
Total Liabilities		<u>324 651 460</u>	<u>295 029 051</u>
Net Assets		<u>2 262 998 003</u>	<u>2 235 452 834</u>
Net Assets			
Accumulated surplus		2 262 998 003	2 235 452 834

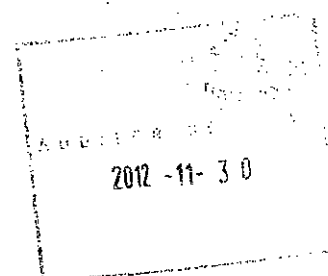


Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Performance

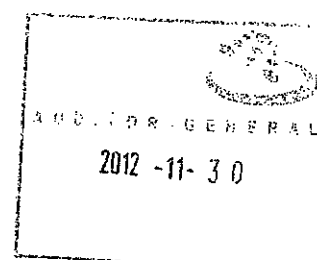
Figures in Rand	Note(s)	2012	2011
Revenue			
Property rates	26	121 560 874	102 161 000
Service charges	27	374 526 706	316 174 580
Property rates - penalties imposed and collection charges	26	5 505 928	4 556 368
Rental of facilities and equipment	28	9 084 779	9 547 611
Interest received - Outstanding debtors		2 316 700	1 917 647
Income from agency services		2 584 859	2 573 611
Fines		2 544 116	2 718 317
Licences and permits		1 366 417	1 399 070
Government grants & subsidies	29	74 305 084	61 972 246
Other - Contribution to bad debt ex housing	30	17 025	388 969
Other - VAT portion on DORA grants	30	1 884 558	-
Other - Building plan fees	30	891 358	1 706 292
Other - Deposits retained as own income	30	826 116	-
Other - Discount received	30	549 184	722 119
Other Income	30	3 063 126	3 789 984
Interest earned - Bank and call deposits	31	26 896 409	27 546 018
Total Revenue		627 923 239	537 173 832
Expenditure			
Employee related costs	32	(175 340 189)	(146 956 521)
Remuneration of councilors	33	(7 580 515)	(6 088 067)
Inventory written off		(119 680)	(96 972)
Depreciation	34	(92 494 084)	(75 410 148)
Impairment on landfill sites		(2 921 592)	(2 318 724)
Finance costs	35	(9 302 609)	(8 280 582)
Debtors impairment	36	(9 100 590)	(11 036 085)
Collection costs		(144 449)	(168 050)
Repairs and maintenance		(22 565 800)	(29 510 735)
Bulk purchases	37	(183 052 748)	(147 624 386)
Grants and subsidies paid	38	(19 025 296)	(17 909 245)
Top structures written off		(17 005 360)	(19 000 918)
General expenses	39	(49 528 005)	(45 237 793)
Contribution to post retirement medical aid		(6 773 000)	(8 110 000)
Total Expenditure		(594 953 917)	(517 748 226)
(Loss)/gain on disposal of assets		(237 135)	641 095
Fair value adjustments		525 000	2 210 000
Surplus for the year		33 257 187	22 276 701



Saldanha Bay Municipality
Annual Financial Statements for the year ended 30 June 2012

Statements of Changes in Net Assets

Figures in Rand	Accumulated Surplus	Total Net Assets
2011		
Balance at 1 July 2009	1 797 046 519	1 797 046 519
Prior Period Error 2010	471 426 115	471 426 115
Restated balance 1 July 2010	2 268 472 634	2 268 472 634
Net surplus for the year	22 276 701	22 276 701
Capital Contributions from Bank account to Capital Replacement Reserve	4 350 431	4 350 431
Housing Development Fund Transactions	-4 555 297	-4 555 297
Balance at 30 June 2011	2 290 544 469	2 290 544 469
2012		
Prior Period Error 2011	-55 091 635	-55 091 635
Restated balance - 1 July 2011	2 235 452 834	2 235 452 834
Net surplus for the year	33 257 187	33 257 187
Capital Contributions from Bank account to Capital Replacement Reserve	2 581 566	2 581 566
Housing Development Fund Transactions	-8 293 584	-8 293 584
Balance at 30 June 2012	2 262 998 003	2 262 998 003

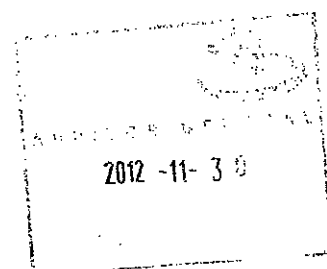


Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Receipts			
Receipts from ratepayers, government and others		580 954 820	507 030 627
Interest income		26 896 409	27 546 018
		<u>607 851 229</u>	<u>534 576 645</u>
Payments			
Employee related costs		(182 920 704)	(153 044 588)
Suppliers		(256 522 159)	(235 734 501)
Finance costs		(9 167 957)	(8 255 937)
		<u>(448 610 820)</u>	<u>(397 035 026)</u>
Net cash flows from operating activities	40	<u>159 240 409</u>	<u>137 541 619</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(101 146 223)	(108 824 065)
Proceeds from sale of property, plant and equipment	12	72 116	6 069 144
Purchase of intangible assets	13	(327 813)	(563 291)
Net cash flows from investing activities		<u>(101 401 920)</u>	<u>(103 318 212)</u>
Cash flows from financing activities			
(Repayment)/proceeds of other financial liabilities		(10 861 033)	9 479 542
Finance lease (payments)/proceeds		(375 885)	1 555 019
Net cash flows from financing activities		<u>(11 236 918)</u>	<u>11 034 561</u>
Net increase in cash and cash equivalents		<u>46 601 571</u>	<u>45 257 968</u>
Cash and cash equivalents at the beginning of the year		452 433 314	407 175 346
Cash and cash equivalents at the end of the year	10	<u>499 034 885</u>	<u>452 433 314</u>



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Loans and receivables

The municipality assesses its loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

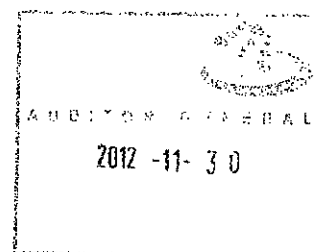
Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosures of these estimates of provisions are included in note 21 - Provisions.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of infrastructure and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the infrastructure and other assets. This estimate is based on industry norm or technical advice. Management will amend the depreciation charge where there is a change in the estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19 - Employee Benefit Obligations.

Effective interest rate

The municipality used the most relevant contractual risk rate applicable to each category of assets and liabilities to discount future cash flows. Where none exists the prime interest rate is used to discount future cash flows.

Debtors Impairment

The provision for impairment is measured with reference to historical data and payment trend analysis per group of consumers and/or category. An impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

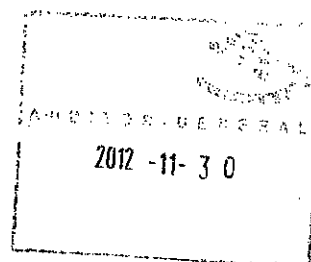
Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.2 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

Fair value is determined by using the last available general valuation roll or market related valuations.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

1.3 Property, plant and equipment

Property, plant and equipment are tangible, non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

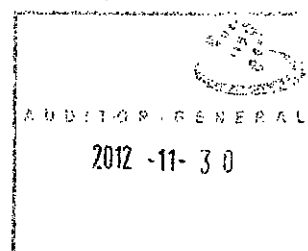
Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses. Land is not depreciated and are deemed to have an indefinite useful life.

Item	Average useful life
Infrastructure	
• Water	6 - 50
• Roads and paving	6 - 80
• Electricity	6 - 50
• Sewerage	5 - 99
• Pedestrian malls	20
• Housing	20 - 30
• Security	3 - 5
Community Assets	
• Land and buildings	30
• Recreational facilities	20 - 30
• Other community assets	30
Other Assets	
• Land and buildings	30
• Specialist vehicles	15
• Office equipment	3 - 5
• Furniture and fittings	7
• Bins and containers	5 - 15
• Emergency equipment	5 - 15
• Motor vehicles	3 - 20
• Specialist plant and equipment	5 - 15
• Airports	15 - 20
• Gas	20
• Landfill sites	15

The residual value, and the useful life of each asset are reviewed at least annually.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.3 Property, plant and equipment (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at least annually. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

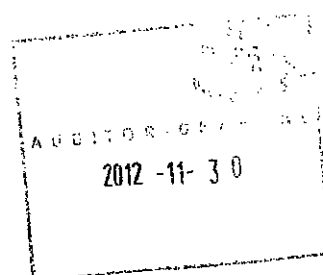
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the municipality; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.5 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at least annually.

Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, valuation roll, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

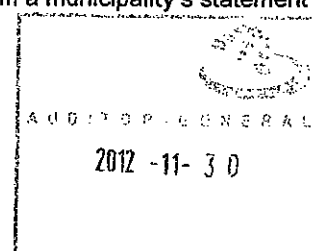
The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by a municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from a municipality's statement of financial position.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.6 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, a municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the municipality.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that is potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by a municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

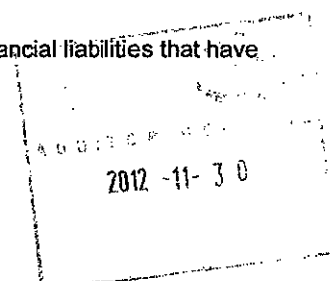
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterpart has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.6 Financial instruments (continued)

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other receivables from exchange transaction	Financial asset measured at amortised cost
Other receivables from non-exchange transactions	Financial asset measured at amortised cost
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at amortised cost
Cash and cash equivalents and short call deposits	Financial asset measured at amortised cost
Other	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Other	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or financial liability in its statement of financial position when the municipality becomes a party to the contractual provision of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

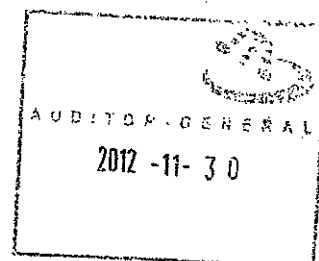
The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.6 Financial Instruments (continued)

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- a combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

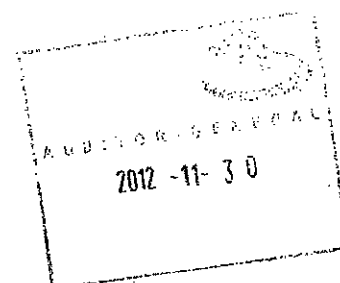
For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at least annually whether there is any objective evidence that a financial asset or group of financial assets is impaired. Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.6 Financial Instruments (continued)

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

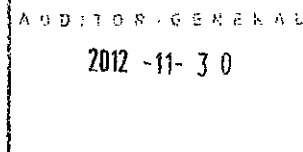
On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.6 Financial instruments (continued)

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property, plant or equipment or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease or the incremental borrowing rate of the municipality.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

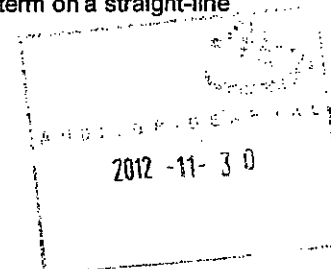
Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.7 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

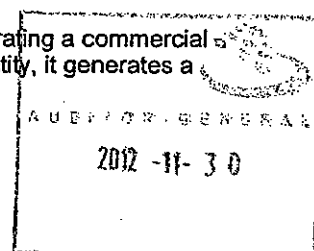
Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses annually whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at least annually. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

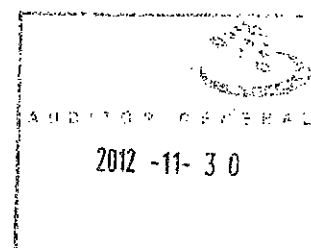
An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.



Saldanha Bay Municipality

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Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess annually whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The Redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occurs when there is clear evidence that such a redesignation is appropriate.

1.11 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs.

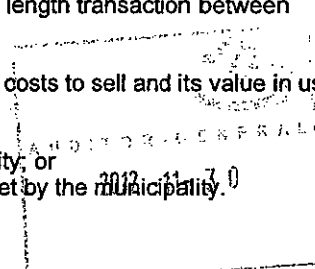
Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses annually whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at least annually. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

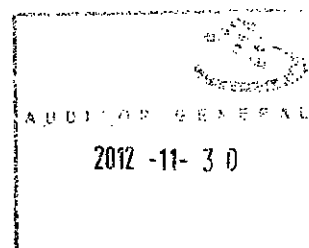
The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a similar asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- a municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from a municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.12 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Actuarial assumptions

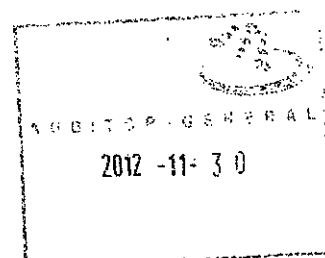
Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.12 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date; and
- minus the fair values at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

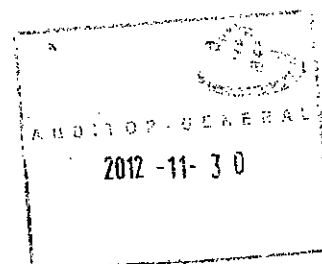
Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.13 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

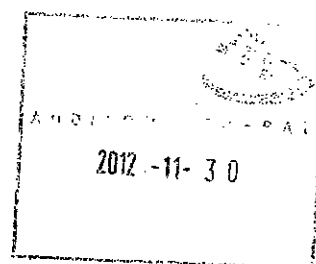
Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the cost incurred for the transaction and the cost to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from services in-kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

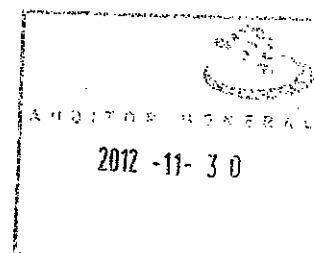
Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings; and
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditure for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.10 and 1.11. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

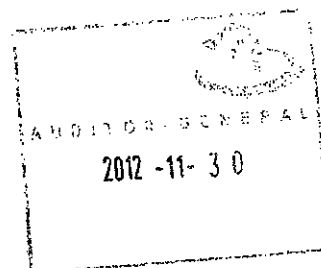
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial year and which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

1.22 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.23 Presentation of currency

These annual financial statements are presented in South African Rand which is the functional currency of the municipality.

1.24 Offsetting

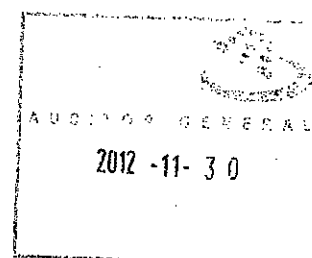
Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.25 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the Capital Replacement Reserve (CRR) in terms of a Council resolution. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The following provisions are set for the creation and utilisation of the CRR:

The cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality. Interest earned on the CRR investment is recorded as part of total interest earned in the statement of financial performance. The total interest earned on all the CRR investments of the municipality is transferred to the CRR. The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for the maintenance of these items. The CRR is reduced and the accumulated surplus/(deficit) credited with corresponding amounts when the funds are utilised. If a gain or loss is made on the sale of assets the gain or loss on the sale of assets is reflected in the statement of financial performance. The amounts transferred to the CRR are based on the municipality's need to finance future capital projects. The contribution to the CRR by the relevant votes will be based on the previous year's cost price of the fixed assets controlled by that votes. The Council has six strategic votes as defined by the Municipal Finance Management Act, 2003 (Act 56 of 2003). The Council determines annually to contribute between 8% and 12% of the previous year's own income to the CRR. The current year's contribution may only be utilised for financing of capital expenditure in the following year.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.25 Internal reserves (continued)

Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Self insurance reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally (excess payments). The balance of the Self-Insurance Reserve is ringfenced within the accumulated surplus/(deficit).

Claims not fully covered by external insurance are financed from the insurance reserve by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

The balance of the self-insurance fund is fully cash backed and is invested in fixed and short-term call deposits.

1.26 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.27 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C, D, E(1) and E(2), based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

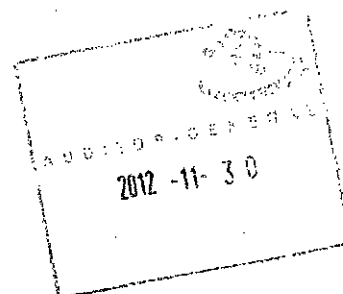
Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.28 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are not completely on the same basis of accounting.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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2. Changes in accounting policy

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year, except for the withdrawal of the following new or revised

standards as per Directive 5 as issued by the Accounting Standard Board and for the adoption of the following new or revised standards.

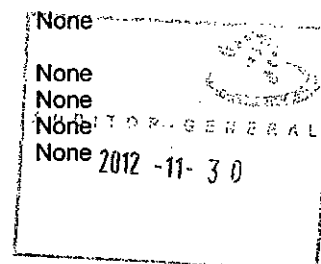
- IAS 32 Financial Instruments: Presentation withdrawn
- IAS 39 Financial instruments: Recognition and Measurement withdrawn
- IFRS 7 Financial instruments: Disclosures withdrawn
- IAS 19 Employee Benefits withdrawn
- Formulated a policy within Accounting Policies of the AFS for Financial Instruments based on GRAP 104
- Formulated a policy within Accounting Policies of the AFS for Impairments based on GRAP 21 and GRAP 26
- Formulated a policy within Accounting Policies of the AFS for Employee Benefits based on GRAP 25
- Formulated a policy within Accounting Policies of the AFS for Non exchange Transactions based on GRAP 23

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities	01 April 2011	None
• IGRAP 3: Determining Whether an Arrangement Contains a Lease	01 April 2011	None
• IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	01 April 2011	None
• IGRAP 5: Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies	01 April 2011	None
• IGRAP 6: Loyalty Programmes	01 April 2011	None
• IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions	01 April 2011	None
• IGRAP 9: Distributions of Non-cash Assets to Owners	01 April 2011	None
• IGRAP 10: Assets Received from Customers	01 April 2011	None
• IGRAP 13: Operating Leases – Incentives	01 April 2011	None
• IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease	01 April 2011	None
• IGRAP 15: Revenue – Barter Transactions Involving Advertising Services	01 April 2011	None
• GRAP 1 (as revised 2010): Presentation of Financial Statements	01 April 2011	None
• GRAP 2 (as revised 2010): Cash Flow Statements	01 April 2011	None
• GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors	01 April 2011	None
• GRAP 4 (as revised 2010): The Effects of Changes in Foreign Exchange Rates	01 April 2011	None
• GRAP 9 (as revised 2010): Revenue from Exchange Transactions	01 April 2011	None
• GRAP 10 (as revised 2010): Financial Reporting in Hyperinflationary Economies	01 April 2011	None
• GRAP 11 (as revised 2010): Construction Contracts	01 April 2011	None
• GRAP 12 (as revised 2010): Inventories	01 April 2011	None
• GRAP 13 (as revised 2010): Leases	01 April 2011	None
• GRAP 14 (as revised 2010): Events After the Reporting Date	01 April 2011	None



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

• GRAP 16 (as revised 2010): Investment Property	01 April 2011	None
• GRAP 17 (as revised 2010): Property, Plant and Equipment	01 April 2011	None
• GRAP 19 (as revised 2010): Provisions, Contingent Liabilities and Contingent Assets	01 April 2011	None
• GRAP 100 (as revised 2010): Non-current Assets Held for Sale and Discontinued Operations	01 April 2011	None

3.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

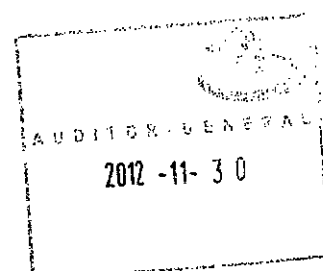
Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	01 April 2013	None
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	None
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	None
• GRAP 107: Mergers	01 April 2014	None
• GRAP 20: Related parties	01 April 2013	Impact is being assessed
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	None
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	None
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	None
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	None
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	None
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	None
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	None
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	None
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	None
• GRAP 12 (as revised 2012): Inventories	01 April 2013	None
• GRAP 13 (as revised 2012): Leases	01 April 2013	None
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	None
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	None
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	None
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	None
• IGRAP16: Intangible assets website costs	01 April 2013	None

3.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the entity.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

GRAP 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

GRAP 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

A municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

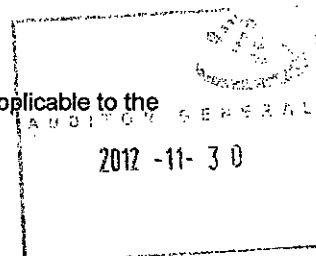
A municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 2014.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The impact of this standard is currently being assessed.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by a municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, a municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, a municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and a municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, a municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

A municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, a municipality estimates the recoverable amount of that asset.

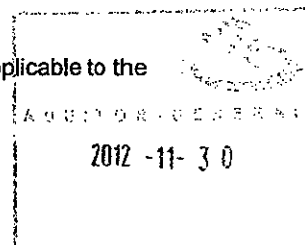
A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

GRAP 25: Employee benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires a municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP 25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP 25 defines, amongst others, the following:

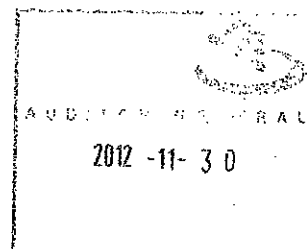
- Employee benefits as all forms of consideration given by a municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which a municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
 - pool the assets contributed by various entities that are not under common control; and
 - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that is due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
 - an entity's decision to terminate an employee's employment before the normal retirement date; or
 - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
 - All short-term employee benefits;
 - Short-term compensated absences;
 - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
 - Actuarial valuation method;
 - Attributing benefits to periods of service;
 - Actuarial assumptions;
 - Actuarial assumptions: Discount rate;
 - Actuarial assumptions: Salaries, benefits and medical costs;
 - Actuarial gains and losses;
 - Past service cost.
- Plan assets:
 - Fair value of plan assets;
 - Reimbursements;
 - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an entity to a portion of another entity's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, a municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where a municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another entity on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. A municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. A municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, a municipality can however designate such an instrument to be measured at fair value.

A municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once a municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

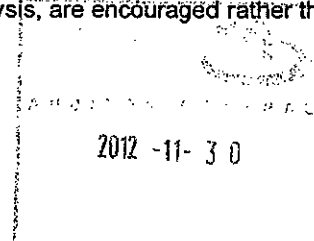
An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, a municipality has transferred control of the asset to another entity.

A municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where a municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

A municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for a municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that a municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

GRAP 104 does not prescribe principles for hedge accounting. A municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

4. Inventories

Consumable stores - at cost	2 453 173	3 680 507
Water - at cost	141 916	113 628
Top structures not sold yet	11 391 135	2 661 053
	<u>13 986 224</u>	<u>6 455 188</u>

Carrying value of inventories carried at lower of cost and net realisable value. 13 986 224 6 455 188

During the year an amount of R119 680 (2011 - R96 972) was written off to the Statement of Financial Performance.

5. Other financial assets

Loans and receivables

Housing Selling Scheme Loans	1 293 252	1 522 626
	<u>1 293 252</u>	<u>1 522 626</u>
Loans and receivables (impairments)	<u>(1 293 252)</u>	<u>(1 522 626)</u>
	<u>-</u>	<u>-</u>

Loans and receivables impaired

As of 30 June 2012, loans and receivables of R1 293 252 (2011: R1 522 626) were impaired and provided for.

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

6. Operating lease asset/(liability)

Current assets	333 312	327 340
Current liabilities	-	(65 033)
	<u>333 312</u>	<u>262 307</u>

The operating lease liability of R65 033 in 2011 originated from smoothing future rental expenses. During the year ended 30 June 2012 the lease agreements ended and are now on a month to month basis.

7. Other receivables from exchange transactions

Other debtors	25 696 890	21 867 385
Prepaid expenditure	104 810	142 274
Sundry Debtors	3 473 262	2012 - 3 487 842
	<u>29 274 962</u>	<u>25 497 501</u>

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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7. Other receivables from exchange transactions (continued)

Credit quality of other receivables from exchange transactions pledged as security

The credit quality of trade and other receivables that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Immaterial other receivables from non-exchange transactions' credit ratings were not reviewed nor impaired due to no or limited external credit ratings or historical information available.

Fair value of other receivables from exchange transactions

Other receivables from exchange transactions	29 274 962	25 497 501
----------------------------------------------	------------	------------

The fair value has been determined by using the face value of the outstanding capital.

8. Other receivables from non-exchange transactions

Government grants and subsidies	2 321 000	-
Unpaid conditional grants	6 187 426	7 391 505
Loss on diesel short delivered	118 804	-
Impairment - Other receivables from non-exchange transactions	(2 439 804)	-
	6 187 426	7 391 505

Other receivables from non-exchange transactions impaired

As of 30 June 2012, other receivables from non-exchange transactions of R2 439 804 were impaired and provided for.

Reconciliation of provision for impairment of other receivables from non-exchange transactions

Provision for impairment	(2 439 804)	-
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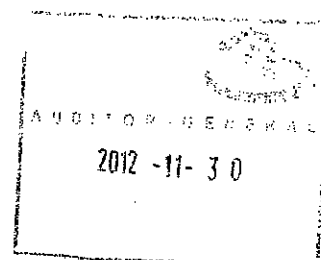
9. Trade and other receivables from exchange transactions

Gross balances

Rates	34 229 263	27 769 764
Electricity	17 477 572	12 174 180
Water	35 260 775	31 329 734
Sewerage	18 903 067	16 067 894
Refuse	17 106 617	14 282 999
Sundry Debtors	3 922 072	3 668 258
Housing rental	10 334 867	10 307 259
	137 234 233	115 600 088

Less: Provision for bad debts

Rates	(5 002 457)	(6 577 769)
Electricity	(720 691)	(1 498 950)
Water	(15 391 894)	(13 140 881)
Sewerage	(10 758 825)	(8 405 575)
Refuse	(8 953 558)	(7 096 341)
Housing rental	(10 334 867)	(10 307 259)
	(51 162 292)	(47 026 775)



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
9. Trade and other receivables from exchange transactions (continued)		
Net balance		
Rates	29 226 806	21 191 995
Electricity	16 756 881	10 675 230
Water	19 868 881	18 188 853
Sewerage	8 144 242	7 662 319
Refuse	8 153 059	7 186 658
Sundry Debtors	3 922 072	3 668 258
	86 071 941	68 573 313
Rates		
Current (0 -30 days)	8 209 024	6 348 542
31 - 60 days	1 547 009	844 525
61 - 90 days	891 523	748 647
91 - 120 days	793 627	876 938
121 - 365 days	7 291 573	6 944 053
> 365 days	10 494 050	5 429 290
	29 226 806	21 191 995
Electricity		
Current (0 -30 days)	14 057 584	9 616 930
31 - 60 days	333 651	119 114
61 - 90 days	264 803	117 015
91 - 120 days	224 634	110 227
121 - 365 days	1 243 619	410 158
> 365 days	632 590	301 786
	16 756 881	10 675 230
Water		
Current (0 -30 days)	6 873 251	6 888 338
31 - 60 days	673 492	695 933
61 - 90 days	537 407	719 338
91 - 120 days	526 517	615 910
121 - 365 days	3 531 134	4 052 089
> 365 days	7 727 080	5 217 245
	19 868 881	18 188 853
Sewerage		
Current (0 -30 days)	1 819 715	1 469 858
31 - 60 days	294 857	304 286
61 - 90 days	267 283	264 035
91 - 120 days	246 581	243 312
121 - 365 days	1 999 783	2 033 864
> 365 days	3 516 023	3 346 964
	8 144 242	7 662 319
Refuse		
Current (0 -30 days)	1 980 143	1 643 664
31 - 60 days	321 740	314 207
61 - 90 days	296 748	291 225
91 - 120 days	261 350	266 194
121 - 365 days	1 793 847	1 799 914
> 365 days	3 499 231	2 871 454
	8 153 059	7 186 658

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

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2012

2011

9. Trade and other receivables from exchange transactions (continued)

Sundry Debtors - Billing

Current (0 -30 days)	927 166	1 303 967
31 - 60 days	301 429	131 716
61 - 90 days	109 035	97 539
91 - 120 days	74 774	107 389
121 - 365 days	731 599	996 107
> 365 days	1 778 069	1 031 540
	3 922 072	3 668 258

Summary of debtors by customer classification

Consumers

Current (0 -30 days)	23 452 156	18 167 968
31 - 60 days	3 121 146	2 553 503
61 - 90 days	2 433 210	2 369 541
91 - 120 days	2 237 049	2 194 206
121 - 365 days	16 076 588	15 966 439
> 365 days	57 973 491	46 987 471
	105 293 640	88 239 128
Less: Provision for bad debts	(35 309 919)	(35 774 020)
	69 983 721	52 465 108

Industrial/ commercial

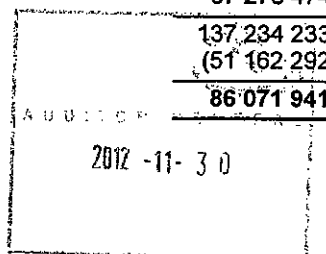
Current (0 -30 days)	14 418 540	13 510 531
31 - 60 days	694 399	537 992
61 - 90 days	519 247	512 679
91 - 120 days	415 948	577 253
121 - 365 days	4 161 237	3 990 212
> 365 days	8 721 517	5 317 773
	28 930 888	24 446 440
Less: Provision for bad debts	(13 995 835)	(9 819 642)
	14 935 053	14 626 798

National and provincial government

Current (0 -30 days)	1 507 771	1 290 214
31 - 60 days	340 468	20 187
61 - 90 days	7 199	32 188
91 - 120 days	35 803	48 589
121 - 365 days	536 997	644 596
> 365 days	581 466	878 747
	3 009 704	2 914 521
Less: Provision for bad debts	(1 856 538)	(1 433 113)
	1 153 166	1 481 408

Total

Current (0 -30 days)	39 378 467	32 968 711
31 - 60 days	4 156 013	3 111 682
61 - 90 days	2 959 656	2 914 408
91 - 120 days	2 688 800	2 820 048
121 - 365 days	20 774 823	20 601 248
> 365 days	67 276 474	53 183 991
	137 234 233	115 600 088
Less: Provision for bad debts	(51 162 292)	(47 026 775)
	86 071 941	68 573 313



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

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Figures in Rand	2012	2011
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9. Trade and other receivables from exchange transactions (continued)

Less: Provision for debt impairment

Current (0 -30 days)	(5 511 584)	(5 697 491)
31 - 60 days	(683 833)	(701 901)
61 - 90 days	(592 857)	(676 609)
91 - 120 days	(561 317)	(600 078)
121 - 365 days	(4 183 268)	(4 365 062)
> 365 days	(39 629 433)	(34 985 634)
	<u>(51 162 292)</u>	<u>(47 026 775)</u>

Credit quality of trade and other receivables from exchange transactions

The credit quality of consumer debtors that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Fair value of trade and other receivables from exchange transactions

Trade and other receivables from exchange transactions	<u>86 071 941</u>	<u>68 573 313</u>
--------------------------------------------------------	-------------------	-------------------

The fair value has been determined by using the face value of the outstanding capital.

Trade and other receivables from exchange transactions impaired

The municipality calculated the payment trends per service over the past 24 months in order to ensure that trade and other receivables from exchange transactions are shown at fair value.

As of 30 June 2012, trade and other receivables from exchange transactions of R51 162 292 (2011: R47 026 775) were impaired and provided for.

Bad debts of R3 251 611 (2011: R1 515 171) (inclusive of VAT) was written off during the year.

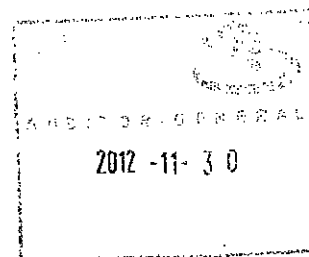
10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	15 434	15 514
Bank balances	69 019 451	92 417 800
Short-term deposits	430 000 000	360 000 000
	<u>499 034 885</u>	<u>452 433 314</u>

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

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10. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
Standard Bank of South Africa Limited - Cheque Account - 08 243 7238	69 950 559	102 956 099	22 623 652	69 019 451	92 417 800	22 161 522

The fair value has been determined by using the face value of the outstanding capital.

Refer to Appendix H for a detailed breakdown of the short term call deposits.

All unspent conditional grants have been ringfenced in the short term call deposits and may not be utilised for any other purposes.

The different institutions have external credit ratings.

11. Investment property

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	3 860 000	-	3 860 000	3 335 000	-	3 335 000

Reconciliation of Investment property - 2012

	Opening balance	Fair value adjustments	Total fair value
Investment property	3 335 000	525 000	3 860 000

Reconciliation of investment property - 2011

	Opening balance	Fair value adjustments	Total fair value
Investment property	1 125 000	2 210 000	3 335 000

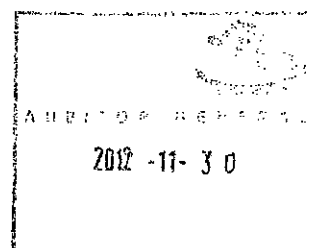
A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was 24 February 2012. Revaluations were performed by an independent valuer, Mr I Storer, of DDP Valuers. DDP Valuers are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation for the land portion was based on adapted comparable sales and for the improvements there-on on depreciated replacement costs.

These assumptions are based on current market conditions and are considered a fair value.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

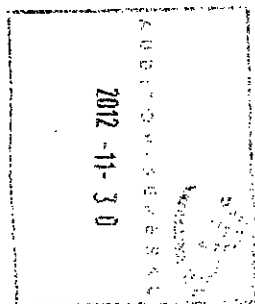
Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment

Land
Buildings
Infrastructure
Community
Other property, plant and equipment
Work in Progress
Leased Assets
Total

2012			2011		
Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
440 873 580	-	440 873 580	438 494 490	-	438 494 490
193 152 636	(79 681 622)	113 471 014	185 769 776	(74 305 015)	111 464 761
2 312 687 465	(1 081 351 114)	1 231 336 351	2 277 501 087	(1 018 287 244)	1 259 213 843
60 712 167	(23 580 489)	37 131 678	32 044 495	(21 008 757)	11 035 738
185 994 401	(113 903 029)	72 091 372	164 003 981	(97 381 548)	66 622 433
51 800 397	-	51 800 397	76 130 595	-	76 130 595
1 674 527	(662 846)	1 011 681	1 639 932	(119 277)	1 520 655
3 246 895 173	(1 299 179 100)	1 947 716 073	3 175 584 356	(1 211 101 841)	1 964 482 515



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

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12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Classified as held for sale	Transfers	Top structures written-off	Landfill Site	Depreciation	Impairment loss	Total
Land	438 494 490	1 800 090	(81 000)	-	660 000	-	-	-	-	440 873 580
Buildings	111 464 761	30 480 156	-	-	2 638 147	(25 735 443)	-	(5 376 607)	-	113 471 014
Infrastructure	1 259 213 843	15 363 771	-	-	22 708 781	-	-	(64 809 722)	(1 140 322)	1 231 336 351
Community	11 035 738	106 947	-	-	28 560 725	-	-	(2 571 732)	-	37 131 678
Other property, plant and equipment	66 622 433	23 123 209	(228 251)	(187 445)	-	-	2 921 593	(16 389 753)	(3 770 414)	72 091 372
Work in Progress	76 130 595	30 237 455	-	-	(54 567 653)	-	-	-	-	51 800 397
Leased Assets	1 520 655	34 595	-	-	-	-	-	(543 569)	-	1 011 681
	1 964 482 515	101 146 223	(309 251)	(187 445)	-	(25 735 443)	2 921 593	(89 691 383)	(4 910 736)	1 947 716 073

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals and GRAP 3 Prior Period Error	Transfers	GRAP 3 Prior Period Errors (Transfers and Disposals)	Landfill Site	GRAP 3 Prior Period Errors	Depreciation and Impairment	Impairment loss	Total
Land	432 143 988	6 500 000	(149 498)	-	-	-	-	-	-	438 494 490
Buildings	111 745 776	4 743 070	(21 000)	-	209 643	-	2 847	(5 215 575)	-	111 464 761
Infrastructure	1 270 981 768	10 650 085	-	40 121 176	-	-	-	(62 539 186)	-	1 259 213 843
Community	7 837 123	4 154 233	-	1 280 089	-	-	-	(2 206 253)	(29 454)	11 035 738
Other property, plant and equipment	54 150 338	17 684 809	(652 264)	(7 140)	-	2 318 724	3 995 655	(8 385 635)	(2 482 054)	66 622 433
Work in Progress	74 724 111	63 465 936	(4 605 287)	(41 610 908)	(15 843 257)	-	-	-	-	76 130 595
Leased Assets	1 867	1 625 932	-	-	-	-	-	(107 144)	-	3 492 655
	1 951 584 971	108 824 065	(5 428 049)	(216 783)	(15 633 614)	2 318 724	3 998 502	(78 453 793)	(2 511 508)	1 964 482 515

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

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Figures in Rand	2012	2011
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12. Property, plant and equipment (continued)

Other Information

During the year the following main transactions/events occurred on the asset register:

1. Work in progress is shown separately as required by GRAP standards.
2. The municipality identified non-current assets held for sale with a carrying amount of R194 586 (Refer note 14). Before being transferred to non-current assets held for sale the assets were tested for impairment. The impairment losses on these assets are included under Other Property, Plant and Equipment in the note above. The impairment loss charged to the Statement of Financial Performance is R848 821.
3. The landfill site, included under Other Property, Plant and Equipment, were tested for impairment at year end. The impairment loss charged to the Statement of Financial Performance is R2 921 593.
4. Infrastructure assets were tested for impairment during the year. The impairment loss charged to the Statement of Financial Performance is R1 140 322.
5. All moveable assets were reviewed for changes in useful life and conditions. This resulted in changes of accounting estimates and was applied prospectively. Refer note 44.
6. All infrastructure additions were unbundled.
7. The municipality obtained a loan from Nedbank. The original loan amount was R21 400 000. The loan agreement stated that the assets purchased by way of this loan must be ceded to Nedbank until the loan has been repaid. The balance outstanding on the loan as at 30 June 2012 is R8 354 301 (2011: R10 696 085) and the carrying value of the assets purchased by way of this loan is R13 280 782 (2011: R14 038 389). Refer to note 15.
8. The municipality has a finance lease. The finance lease is secured by the lessor's charge over the leased asset. Refer note 16.

Borrowing costs capitalised

Property, plant and equipment	7 219	281 336
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Capitalisation rates used during the year were the prime lending rate as determined by the Reserve Bank.

Assets subject to a finance lease (Net carrying amount)

Leased Asset	1 011 681	1 520 655
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Other information

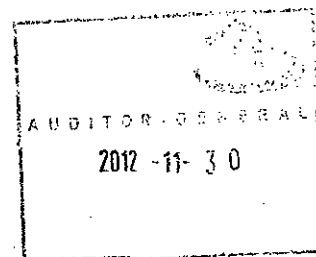
Property, plant and equipment (Carrying amount)

Property, plant and equipment carried at cost	1 947 716 073	1 964 482 515
-----------------------------------------------	---------------	---------------

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

13. Intangible assets

	2012			2011		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, Externally Generated	5 371 751	(4 381 697)	990 054	5 068 047	(3 592 251)	1 475 796



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

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Figures in Rand	2012	2011
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13. Intangible assets (continued)

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 475 796	327 813	(813 555)	990 054

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 674 583	563 291	(762 078)	1 475 796

Other information

Intangible assets have finite lives. The estimated remaining useful life is reviewed at each reporting period.

14. Non-current assets held for sale

The municipality will dispose of certain assets after year end. The assets were identified and written down to net realisable value. The cost of assets to be disposed after year end is R3 332 838 (2011: R62 992) and the accumulated depreciation is R3 138 252 (2011: R55 852). The net book value of assets held for sale is R194 586 (2011: R7 140). Refer note 12.

15. Other financial liabilities

Held at amortised cost

Other financial liabilities	65 449 241	77 672 426
Other financial liabilities - Current Portion	11 851 412	10 489 260
	<u>77 300 653</u>	<u>88 161 686</u>

Refer to Appendix A for a detailed breakdown of the External Loans.

Total of other financial liabilities of R77 300 653 (2011: R88 161 686) are cash backed.

The municipality obtained a loan from Nedbank. The original loan amount was R21 400 000. The loan agreement stated that the assets purchased by way of this loan must be ceded to Nedbank until the loan has been repaid. The balance outstanding on the loan as at 30 June 2012 is R8 354 301 (2011: R10 696 085) and the carrying value of the assets purchased by way of this loan is R13 280 782 (2011: R14 038 389). Refer to note 12.

Non-current liabilities

At amortised cost	65 449 241	77 672 426
-------------------	------------	------------

Current liabilities

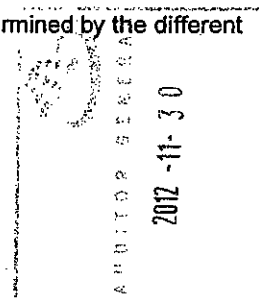
At amortised cost	11 851 412	10 489 260
	<u>77 300 653</u>	<u>88 161 686</u>

Fair value of the financial liabilities carried at amortised cost

Loans and receivables	77 300 653	88 161 686
-----------------------	------------	------------

The fair value of other financial liabilities have been determined by using the face values as determined by the different institutions and the balance shown is the face value of the outstanding capital.

The institutions have external credit ratings.



Saldanha Bay Municipality

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16. Finance lease obligation

Minimum lease payments due

- within one year including finance charges	415 138	405 304
- in second to fifth year including finance charges	1 176 225	1 552 577

less: future finance charges

1 591 363	1 957 881
(249 695)	(374 980)

Present value of minimum lease payments

1 341 668	1 582 901
-----------	-----------

Present value of minimum lease payments due

- within one year excluding finance charges	306 840	273 933
- in second to fifth year excluding finance charges	1 034 828	1 308 968

1 341 668	1 582 901
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Non-current liabilities

1 034 828	1 308 968
-----------	-----------

Current liabilities

306 840	273 933
---------	---------

1 341 668	1 582 901
-----------	-----------

The lease term pertaining to this lease is 5 years.

Interest rates are linked to the prime interest rate at the contract date. The lease has fixed repayments and no arrangement has been entered into for contingent rent.

The municipality's obligation under the finance lease is secured by the lessor's charge over the leased asset. Refer note 12.

17. Trade and other payables from exchange transactions

Trade payables	41 520 219	50 708 606
Debtors received in advance	3 187 160	3 483 397
Other payables	867 383	1 034 092
Task backpay	5 695 675	-
Accrued leave pay	6 529 915	7 739 835
Accrued bonus	5 297 902	4 992 464
Long service Awards	983 669	605 184
VAT on housing debtors	103 823	128 984
Provision for bad debt re VAT on housing debtors	(103 823)	(128 984)
Rounding difference	-	1
Deposits received	42 297	46 099
	<u>64 124 220</u>	<u>68 609 678</u>

Fair value of trade and other payables

Trade payables	41 520 219	50 708 606
Other payables	22 604 001	17 901 072
	<u>64 124 220</u>	<u>68 609 678</u>

The fair value of the financial liability was determined by accepting the face values of the outstanding capital.

18. Consumer deposits

Electricity
Water

7 517 576	6 602 972
4 747 223	4 421 733
<u>12 264 799</u>	<u>11 024 705</u>

Saldanha Bay Municipality

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2012

2011

19. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The valuation was performed by WS van Heerden and DR Poane from Poneso Actuarial Consultants. Poneso Actuarial Consultants is not connected to the municipality. The full actuarial valuation report is available on request.

The Post retirement medical aid plan consists of the Bonitas, Hosmed, Key Health, LA Health, Pro Sano and Samwumed medical aid funds.

The total in-service employees belonging to the various Medical Schemes as at 30 June 2012 were 320 and the total continuation employees receiving the medical aid benefit as at 30 June 2012 were 82.

The method of funding prescribed by IAS 19 is called the "Projected Unit Method". Under this method the accrued service liabilities are determined by projecting all future payments which will be made by the employer in respect of benefits accrued up to the Valuation Date. Assumptions are made in respect of, inter-alia, medical scheme contribution increases, withdrawals, deaths and ill-health, early and normal retirements. These payments are discounted at the valuation rate of discount to determine the present value of the liabilities at the Valuation Date.

Saldanha Bay Municipality employees and their dependants are currently entitled to a subsidy of 70% of the required medical scheme contributions after they retire or the employee dies. In-service members are entitled to a subsidy of 60% of the contribution payable. The cost of this subsidy is currently met from annual revenue earned by the municipality.

Accounting standard IAS19 states that all employment costs must be funded during a person's working lifetime. This not only ensures that the organization reflects the true cost of performing its tasks, but also provides employees with more security since funds are set aside to meet these costs.

The results presented in this report depend heavily on certain actuarial assumptions. The most important of these are the following:

Real rate of return

The differential between the assumed rate of discount and the escalation in future medical scheme contributions is the most important relationship. In calculating the liability we have assumed a differential of 1.40% per annum (a discount rate of 7.86% and 6.37% for medical scheme contribution increases). A smaller differential would result in greater liabilities than those shown in this report and visa versa.

Maintenance of the current contribution tables and current cross-subsidisation inherent in these rates

The current Medical Scheme contribution tables can legally only differentiate contributions on the basis of income and number of dependants, though differences in age are the primary driver of medical scheme costs.

Any changes in the underlying structure of the membership of schemes, especially an increase in the age profile, could therefore have a marked impact on the contribution tables.

The amounts recognised in the statement of financial position are as follows:

Present value of the defined benefit obligation

Present value of the defined benefit obligation	(61 122 000)	(56 719 000)
Non-current liabilities	(58 874 000)	(54 429 000)
Current liabilities	(2 248 000)	(2 290 000)
	(61 122 000)	(56 719 000)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(56 719 000)	(50 569 000)
Benefits paid	2 370 000	1 960 000
Net expense recognised in the statement of financial performance	(6 773 000)	(8 110 000)
	(61 122 000)	(56 719 000)

2012	2011
30	30
June	June

Saldanha Bay Municipality

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19. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	(2 248 000)	(2 290 000)
Interest cost	(5 027 000)	(4 570 000)
Actuarial (gains) losses	502 000	(1 250 000)
	<u>(6 773 000)</u>	<u>(8 110 000)</u>

Key assumptions used

Assumptions used on the valuation date of 30 June 2012:

Discount rates used	7,86 %	8,70 %
Long-term expected medical inflation rate	6,37 %	7,20 %
Discount rate less medical inflation	1,40 %	1,50 %

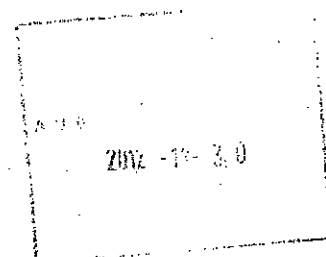
IAS 19 and GRAP 25 specify that the assumptions made should represent the employer's prudent best estimates of the variables that will determine the ultimate cost of the benefit. The following assumptions are generally required:

- mortality during and after employment;
- rates of employers turnover, disability and early retirement;
- details of future dependents of members who are eligible for benefits;
- the discount rate;
- future salary, contribution and/or benefit levels; and
- expected rate of return on separate assets.

In determining future benefits levels consideration must be given to whether only the expected future contribution levels, which may involve various cross-subsidies between various groups of members, should be projected, or whether the actual underlying claims of post retirement members should be considered, as per the previous valuation, no allowance has being made for the following:

- The actual cost of medical aid claims by employees and pensioners from medical aid;
- The effect of material change in the average age of members of the medical aids; or
- The effect of any change by the medical aid member, due to their changing needs as they get older or for any other reason, from one medical aid option to another, or from one medical aid to another.

No allowance is made for any inherent cross-subsidies between in-service employees and pensioners in the actual cost of medical claims of each of these groups.



Saldanha Bay Municipality

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19. Employee benefit obligations (continued)

The various assumptions made are set out below:

Discount rate

The discount rate reflects the time value of money. The discount rate together with the assumed rate of medical scheme contribution inflation has the largest effect on the value of the benefit calculated. The relative level of these assumptions with regard to each other is therefore much more important than their absolute values.

The absolute values are chosen with regard to the long-term nature of the liability and IAS 19 specifies that it must be derived from the market yields of government bonds with corresponding terms and currency as at the statement of financial position date.

We employed a discount rate of 7.86%. This rate was deducted from the yield curve obtained from the Bond Exchange of South Africa after the market closed on 29 June 2012. The rate does not reflect any adjustment for taxation.

Withdrawals

Allowance was made for the withdrawals of existing members. The withdrawal rates applicable to the Municipality Employee Pension Fund were used for this purpose.

The rates of withdrawal are shown in Table 1.

New Entrants

New members were considered as per the municipality's policy statement.

Ill-health

We have assumed that members will retire at their retirement ages shown below (as per Table 1). Prior to those ages we have allowed for ill-health retirement at the rates assumed in the most recent municipal employee pension fund valuation.

Mortality

Before normal retirement

We have used the rates used in SA85 - 90 (Light) ultimate table.

After retirement

The PA (90) ultimate tables for males and females were used for mortality after normal retirement. The previous valuation used the same mortality. We have used this for consistency purposes. We have investigated this mortality and are satisfied to retain the same approach.

Retirement age

We have assumed that members may retire early at retirement age 60 but the average expected retirement age was set at 65 for both males and females. This is consistent with the previous valuation.

Dependant's assumptions

Proportion married

The actual marital status of pensioners was used as provided. The proportion married for in service members was assumed to be 95% at retirement

Age of spouses

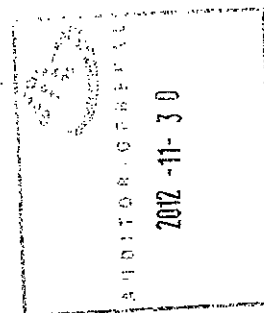
For married couples we have assumed that the males would be 4 years older than the females.

Dependent children:

We have assumed that the child dependants of pensioners are 17 years old and will remain on the scheme until age of 21.

Dependent adults:

We made no distinction between those adult dependents who are likely to remain dependant for life and those who are full time students older than 25 years who are likely to become independent shortly. We assumed that adult dependants of pensioners would remain on the scheme for 4 years after the valuation date. For adult dependants we assumed that they would become independent on the valuation date.



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Annual Financial Statements for the year ended 30 June 2012

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19. Employee benefit obligations (continued)

TABLE 1

DEMOGRAPHIC ASSUMPTIONS

	Rate of Withdrawal		Rates of Ill-health	
Age	Males	Females	Males	Females
20	13.10%	9.40%	0.00%	0.00%
25	9.40%	7.50%	0.00%	0.00%
30	5.60%	5.60%	0.05%	0.05%
35	3.80%	3.80%	0.10%	0.10%
40	2.60%	1.90%	0.15%	0.15%
45	1.50%	1.30%	0.20%	0.20%
50	0.08%	0.08%	0.30%	0.30%
55	0.08%	0.08%	0.60%	0.60%
55+	0.00%	0.00%	2.50%	2.50%

A further key assumption is that the current medical scheme contribution rates will not charge fundamentally over time (i.e. that the only impact on contributions will really be medical inflation).

20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Various unspent conditional grants	51 846 634	20 172 840
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All unspent conditional grants are ring fenced in short-term call deposits until utilised.

Refer to Appendix F for a detailed breakdown of all unspent conditional grants.

21. Provisions

Reconciliation of provisions - 2012

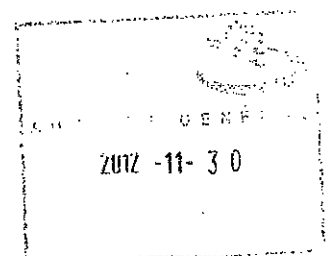
	Opening Balance	Additions	Total
Environmental rehabilitation	48 693 208	2 921 592	51 614 800

Reconciliation of provisions - 2011

	Opening Balance	Additions	Total
Environmental rehabilitation	46 374 484	2 318 724	48 693 208

The estimation of the current liability to rehabilitate the landfill sites were performed by Jan Palm Consulting Engineering CC. Jan Palm Consulting Engineering CC are not connected to the municipality. The full report is available on request.

The amount is made up out of two sites, Langebaan and Vredenburg.



Saldanha Bay Municipality

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21. Provisions (continued)

Environmental rehabilitation provision

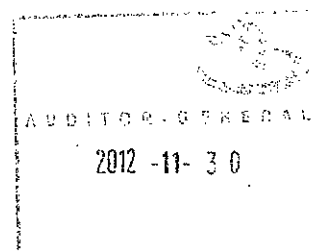
The sites under consideration are Vredenburg Landfill and Langebaan Landfill. These sites are both still operational and receive general refuse, garden refuse and builder's rubble.

In order to determine the rehabilitation costs for each site the Minimum Requirements (2nd Edition, 1998) from the Department of Water Affairs and Forestry (DWAF) were used as guideline for the design of the capping layer as well as the capacity of the storm water drainage system. Vredenburg's classification is G:M:B- where the "G" classification refers to the type of waste that may be received at the site, which in this case is "general waste". General waste is the description given to all domestic waste and all wastes generated from commercial, business and industrial activities that are not hazardous or toxic. Pharmaceutical and medical wastes are also not part of general waste. The "M" classification refers to a volume of waste disposed of between 150 and 500 ton per day and the "B-" indicates that the site has more evaporation than rainfall during 20% or less of its wet season. According to the Minimum requirements there is no need for a leachate management system in B- sites. Langebaan's classification is G:S:B- where the "S" classification refers to a volume of waste disposed of between 25 and 150 ton per day.

For Langebaan Landfill the cost estimate was based on the assumption that the site will be approximately shaped towards the final design by using waste. It was also assumed that the 200mm thick cover material could be sourced from nearby areas.

For Vredenburg site the cost estimate is based on the assumption that the site will be approximately shaped towards the final design by using waste. For the cost estimate we have assumed that there will not be sufficient clayey material for the 2 x 150mm thick capping layers and as a result this was replaced with a geosynthetic clay layer (GCL) with a 300mm thick confining layer of selected material, covered with a 200mm topsoil growth layer.

The municipality is in the process of performing a topographical survey of each landfill site and these will be compared to the final concept landform in order to calculate the available airspace on each site as well as the available site life in years. As a result it is also difficult to determine the amount and timing of outflows of economic benefits or service potential.



Saldanha Bay Municipality

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22. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2012

	Capital replacement reserve	Insurance reserve	Housing development fund	Total
Opening balance	185 790 630	2 026 785	28 511 404	216 328 819
Transfer to reserve	114 435 999	-	-	114 435 999
Property, plant and equipment purchased	(60 532 007)	-	-	(60 532 007)
Insurance claims processed	-	(239 845)	-	(239 845)
Interest for the year	12 413 937	-	1 412 101	13 826 038
Housing transactions	-	-	(8 293 585)	(8 293 585)
Capital contributions	2 581 567	-	-	2 581 567
	254 690 126	1 786 940	21 629 920	278 106 986

Ring-fenced internal funds and reserves within accumulated surplus - 2011

	Capital replacement reserve	Government grant reserve	Insurance reserve	Housing development fund	Total
Opening balance	191 736 142	104 754 047	2 128 790	31 077 525	329 696 504
Offsetting of depreciation	-	(2 756 838)	-	-	(2 756 838)
Transfer to reserve	41 428 199	-	-	-	41 428 199
Property, plant and equipment purchased	(60 317 039)	-	-	-	(60 317 039)
Insurance claims processed	-	-	(102 005)	-	(102 005)
Capital grants used to purchase property, plant and equipment	-	34 353 897	-	-	34 353 897
Interest for the year	12 943 328	-	-	1 989 173	14 932 501
Housing Transactions	-	-	-	(4 555 294)	(4 555 294)
Zero value items and writing off reserve to accumulated surplus	-	(136 351 106)	-	-	(136 351 106)
	185 790 630	-	2 026 785	28 511 404	216 328 819

Internal reserves are ringfenced within accumulated surplus.

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
23. Housing development fund		
Unappropriate surplus	21 629 920	28 511 404
The housing development fund is represented by the following assets and liabilities		
Bank and cash	21 594 297	28 491 523
Other debtors	35 623	19 881
Assets	21 629 920	28 511 404

The cash balance relating to the housing development fund is not invested in a separate bank account. The cash balance of R21 594 297 (2010: R28 491 523) is included in the short term call deposits, included under cash and cash equivalents, with a balance of R430 000 000.

The Housing Development Fund is cash backed.

24. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2012

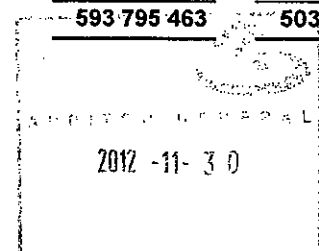
	Financial liabilities at amortised cost	Total
Other financial liabilities	(77 300 653)	(77 300 653)
Finance Lease Obligation	(1 341 668)	(1 341 668)
Trade and Other Payables	(64 124 220)	(64 124 220)
	(142 766 541)	(142 766 541)

2011

	Financial liabilities at amortised cost	Total
Other financial liabilities	(88 161 686)	(88 161 686)
Finance Lease Obligation	(1 582 901)	(1 582 901)
Trade and Other Payable	(68 609 678)	(68 609 678)
	(158 354 265)	(158 354 265)

25. Revenue

Property rates	121 560 874	102 161 000
Property rates – Penalties imposed and collection charges	5 505 928	4 556 368
Service charges	374 526 706	316 174 580
Rental of facilities & equipment	9 084 779	9 547 611
Interest received – trading	2 316 700	1 917 647
Income from agency services	2 584 859	2 573 611
Fines	2 544 116	2 718 317
Licences and permits	1 366 417	1 399 070
Government grants & subsidies	74 305 084	61 972 246
	593 795 463	503 020 450



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Annual Financial Statements for the year ended 30 June 2012

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25. Revenue (continued)

The amounts included in revenue arising from exchanges of goods or services are as follows:

Service charges	374 526 706	316 174 580
Rental of facilities & equipment	9 084 779	9 547 611
Interest received – trading	2 316 700	1 917 647
Income from agency services	2 584 859	2 573 611
Licences and permits	1 366 417	1 399 070
	389 879 461	331 612 519

The amounts included in revenue arising from non-exchange transactions are as follows:

Taxation revenue		
Property rates	121 560 874	102 161 000
Property rates – Penalties imposed and collection charges	5 505 928	4 556 368
Fines	2 544 116	2 718 317
Transfer revenue		
Government grants and subsidies	74 305 084	61 972 246
	203 916 002	171 407 931

26. Property Rates

Rates received

Property rates	139 177 749	114 024 557
Building clause levy	59 274	57 837
Less: Income forgone	(17 676 149)	(11 921 394)
	121 560 874	102 161 000
Property rates - penalties imposed and collection charges	5 505 928	4 556 368
	127 066 802	106 717 368

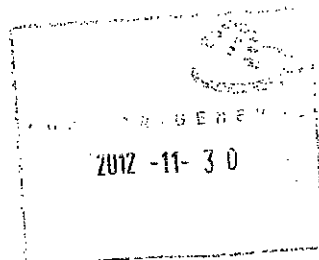
General Valuation Roll

Residential	17 644 053 574	16 898 056 728
Commercial	3 072 644 375	2 931 138 747
State	1 055 963 370	776 571 870
Municipal	467 599 600	66 119 900
Small holdings and farms	2 080 578 410	2 019 180 630
Other	322 564 640	584 369 740
	24 643 403 969	23 275 437 615

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 1 (2011: 1) is applied to property valuations to determine assessment rates.

Rates are levied on an annual or monthly basis. Interest at prime plus 1% per annum (2011: prime plus 1%) is levied on rates outstanding after the due date for payment.



Saldanha Bay Municipality

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Figures in Rand	2012	2011
27. Service charges		
Sale of electricity	154 889 084	134 990 336
Sale of water	76 486 469	68 162 010
Sewerage and sanitation charges	11 181 760	9 973 437
Refuse removal	32 640 497	28 997 505
Other service charges	99 328 896	74 051 292
	374 526 706	316 174 580
28. Rental of facilities and equipment		
Premises		
Premises	9 084 779	9 547 611
29. Government grants and subsidies		
Equitable share	28 568 400	26 840 351
Government grant - Capital contributions	33 559 722	30 246 396
Cleanup of stands	-	(595)
Skills Development Grant (SETA)	745 740	335 743
Subsidies: main roads	133 232	87 254
Bursaries	-	28 197
Financial Management Grant (FMG)	1 190 828	-
Libraries operating grant	482 945	-
CDW operating grant	70 985	-
Municipal System Improvement Grant (MSIG)	347 288	-
Municipal Infrastructure Operating Grants (MIG)	611 805	-
Housing development fund	8 574 613	4 434 900
Financial Management Support Grant (FMSG)	19 526	-
	74 305 084	61 972 246
30. Other revenue		
Contribution to bad debt ex housing development fund	17 025	388 969
VAT portion on DORA grants	1 884 558	-
Building plan fees	891 358	1 706 292
Deposits retained as own income	826 116	-
Discount received	549 184	722 119
Sundry income	3 063 126	3 789 984
	7 231 367	6 607 364
31. Interest earned - Bank and Call Deposits		
Interest revenue		
Cash and cash equivalents	26 896 409	27 546 018

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

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32. Employee related costs

	2012	2011
Basic salary	115 180 339	92 447 218
Skills Development Levy	1 345 367	1 651 510
Bonuses	9 457 540	7 743 735
Medical aid contributions	5 181 718	4 671 642
Unemployment Insurance Fund	1 083 577	956 957
Workmen's Compensation	1 103 014	996 073
Transport of furniture	67 727	82 044
Leave pay provision charge	-	4 957
Group life contributions	2 080 877	2 387 045
Pension fund contributions	17 457 271	15 316 025
Cellphone allowances	72 094	26 205
Uniforms and protective clothing	916 963	966 174
Travel, accommodation, subsistence and other allowances	4 479 591	1 928 101
Overtime payments	8 968 823	8 248 577
Entertainment allowance	6 000	6 000
Bargaining council levy	46 761	45 181
Housing subsidy	744 830	638 995
Employment charges	5 357	56 536
Standby allowance	3 277 645	3 710 931
Tool allowance	540	720
Less: Employee costs capitalised to property, plant and equipment	(1 900 371)	-
	169 575 663	141 884 626

Remuneration of Municipal Manager (July 2011 to October 2011)

Annual remuneration	1 163 108	875 999
Car allowance	56 000	219 000
Performance bonus	149 843	-
Contributions to UIF, medical and pension fund	48 429	188 941
Housing subsidy	3 007	14 803
Telephone allowance	2 400	8 800
Leave payout	200 806	-
	1 623 593	1 307 543

Remuneration of Municipal Manager (November 2011 to March 2012)

Acting allowance	122 529	-
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Remuneration of Municipal Manager (April 2012 to June 2012)

Annual remuneration	210 000	-
Car allowance	52 500	-
Contributions to UIF, medical and pension fund	41 643	-
Housing subsidy	20 857	-
	325 000	-

Remuneration of Chief Financial Officer (July 2011 to 16 October 2011)

Annual remuneration	-	227 629
Car allowance	-	98 586
Bonus and long service bonus	-	44 433
Contributions to UIF, medical and pension fund	-	74 633
Acting allowance	83 306	260 093
	83 306	705 374

Remuneration of Chief Financial Officer (17 October 2011 to June 2012)

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Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

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32. Employee related costs (continued)

Annual remuneration	497 222	-
Car allowance	124 306	-
Contributions to UIF, medical and pension fund	89 843	-
Housing subsidy	50 795	-
Telephone allowance	5 114	-
	767 280	-

Remuneration of Director Technical Services (July 2011)

Annual remuneration	21 956	418 123
Car allowance	8 750	105 000
Contributions to UIF, medical and pension fund	9 835	117 909
Leave payout	126 083	-
Housing subsidy	1 040	14 518
	167 664	655 550

Remuneration of Director Technical Services (July 2011 to Jan 2012)

Annual remuneration	-	338 195
Car allowance	-	138 628
Performance bonus	-	52 763
Contributions to UIF, Medical and pension fund	-	101 937
Acting allowance	78 151	120 004
Housing subsidy	-	5 790
	78 151	757 317

Remuneration of Director Technical Services (Feb 2012 to June 2012)

Annual remuneration	250 000	-
Car allowance	62 500	-
Contributions to UIF, medical and pension fund	55 203	-
Housing subsidy	7 297	-
	375 000	-

Remuneration of Director Corporate Services

Annual remuneration	503 171	450 449
Car allowance	124 000	114 000
Contributions to UIF, medical and pension fund	115 514	104 913
Housing subsidy	9 343	32 760
	752 028	702 122

Remuneration of Director Community Services

Annual remuneration	636 011	614 727
Car allowance	156 250	131 333
Settlement payment	398 654	-
Contributions to UIF, medical and pension fund	146 367	140 248
Housing subsidy	15 606	19 364
Leave payout	53 795	-
Acting allowance	-	38 317
	1 406 683	943 989

Remuneration of Director Planning and Strategic Services (Feb 2012 to June 2012)

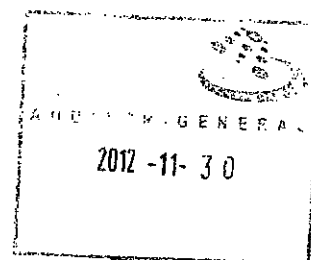
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Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
32. Employee related costs (continued)		
Acting allowance	63 292	-
Summary of Employee Related Cost		
Salaries, wages and contributions	169 575 663	141 884 626
Remuneration of Municipal Manager July 2011 to October 2011	1 623 593	1 307 543
Remuneration of Municipal Manager November 2011 to March 2012	122 529	-
Remuneration of Municipal Manager April 2012 to June 2012	325 000	-
Remuneration of Chief Financial Officer July 2011 to 16 October 2011	83 206	705 374
Remuneration of Chief Financial Officer 17 October 2011 to June 2012	767 280	-
Remuneration of Director Technical Services July 2011	167 664	655 550
Remuneration of Director Technical Services July 2011 to Jan 2012	78 151	757 317
Remuneration of Director Technical Services Feb 2012 to June 2012	375 000	-
Remuneration of Director Corporate Services	752 028	702 122
Remuneration of Director Community Services	1 406 683	943 989
Remuneration of Director Planning and Strategic Services Feb 2012 to June 2012	63 292	-
	175 340 189	146 956 521
33. Remuneration of councillors		
Executive Mayor	636 397	615 412
Deputy Executive Mayor	521 541	484 103
Mayoral Committee Members	2 427 695	1 774 296
Speaker	546 577	481 891
Councillors	3 448 305	2 732 365
	7 580 515	6 088 067
34. Depreciation		
Property, plant and equipment	92 494 084	75 410 148
35. Finance costs		
Other financial liabilities	8 739 766	7 567 981
Unspent conditional grants	405 306	972 276
Finance lease obligations	134 652	24 645
Bank Overdraft	100	-
Borrowing cost capitalised	(7 219)	(281 336)
Other interest	30 004	(2 984)
	9 302 609	8 280 582
Capitalisation rates used during the period were the prime lending rate as determined by the Reserve Bank.		
36. Debtors Impairment		
Impairment - Other receivables from non-exchange transactions	2 439 804	-
Impairment - Trade and other receivables from exchange transactions	3 671 736	9 520 914
Bad debts written off	2 989 050	1 515 171
	9 100 590	11 036 085

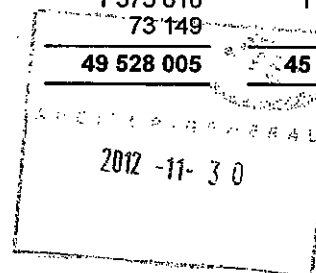


Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
37. Bulk purchases		
Electricity	137 004 138	108 254 743
Water	46 048 610	39 369 643
	183 052 748	147 624 386
38. Grants and subsidies paid		
Other subsidies		
Pauper burials	12 054	18 773
Bursaries	372 119	292 561
AFS Preparation Toolkit	257 592	-
Youth development grant	36 704	-
Cultural village operating grant (LED)	-	45 152
Financial Management Support	19 526	-
Subsidy: preferred scheme housing	243 316	(7 381)
Equitable share	17 227 892	16 136 911
Financial Management Grant (FMG)	695 411	1 000 058
CDW operating grant	70 985	32 586
Consumer education	-	123 845
Library operating grant	-	12 104
Municipal Systems Improvement Grant (MSIG)	89 697	252 556
Western Cape fanjol 2010	-	2 080
	19 025 296	17 909 245
39. General expenses		
Advertising	766 859	848 458
Auditors remuneration	3 532 600	3 041 885
Bank charges	1 223 113	1 228 384
Cleaning of yards	156 658	117 486
Commission paid	2 668 293	-
Consulting and professional fees	4 593 570	7 715 093
Entertainment	347 081	453 934
Animal costs	11 514	19 384
Gifts	8 328	16 575
Insurance	1 365 395	1 271 980
Electricity connections - indigent households	1 821	6 173
Conferences and seminars	169 804	195 976
Information Technology expenses	13 372	8 268
Lease rentals on operating leases	2 282 750	2 708 700
License fees	675 791	500 511
Magazines, books and periodicals	50 332	38 994
Fuel and oil	10 695 700	8 057 043
Postage and courier	966 050	975 741
Printing and stationery	1 249 800	1 342 611
Security (guarding of municipal property)	4 993 773	3 707 041
Subscriptions and membership fees	1 197 791	834 138
Telephone and fax	5 666 305	6 161 649
Transport and freight	-	19 845
Training	1 305 263	1 112 807
Travel - local	878 641	878 520
Title deed search fees	78 250	65 475
Operation of landfill sites	959 162	1 277 257
Other expenses	1 534 234	1 003 811
Valuation cost	486 996	154 234
Other material	1 575 610	1 429 373
Chemicals	73 149	46 447
	49 528 005	45 237 793



Saldanha Bay Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2012	2011
40. Cash generated from operations		
Surplus	33 257 187	22 276 701
Adjustments for:		
Depreciation and amortisation	92 494 084	75 410 148
Gain (loss) on sale of assets and liabilities	237 135	(641 095)
Fair value adjustments	(525 000)	(2 210 000)
Finance costs - Finance leases	134 652	24 645
Debt impairment	9 100 590	11 036 085
Movements in operating lease assets and liabilities	(71 005)	56 520
Contribution to post retirement medical aid benefit	4 403 000	6 144 795
Movements in provisions	2 921 592	2 318 724
Contribution to CRR from operations	2 581 558	4 350 433
Top structures removed from asset register during the year	25 735 443	15 843 257
Housing development fund movement included in operations	(8 293 584)	(4 555 297)
Changes in working capital:		
Inventories	(7 531 036)	(1 673 920)
Other receivables from exchange transactions	(3 777 458)	7 121 545
Other receivables from non-exchange transactions	1 204 079	(1 768 443)
Consumer debtors	(26 599 218)	(18 986 370)
Trade and other payables from exchange transactions	(4 485 457)	11 887 548
VAT	5 539 959	(4 217 624)
Unspent conditional grants and receipts	31 673 794	14 294 231
Consumer deposits	1 240 094	829 736
	159 240 409	137 541 619

41. Commitments

Authorised capital expenditure

Already contracted and provided for

• Infrastructure assets	8 234 990	17 665 454
• Other assets	-	2 316 692
• Community	5 198 703	-
	13 433 693	19 982 146

Not yet contracted for and authorised by accounting officer

• Infrastructure	159 812 974	-
• Community	4 042 762	-
• Other	11 217 789	-
• Housing Development Fund	53 177 636	-
• Total capital expenditure	-	177 017 303
	228 251 161	177 017 303

This committed expenditure relates to property, plant and equipment, other and housing development and will be financed by available bank facilities, retained surpluses, mortgage facilities, existing cash resources, and funds internally generated.

Finance leases - as lessee

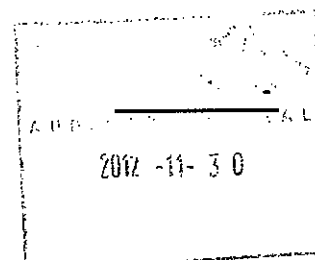
Minimum lease payments due

- within one year	415 138	405 304
- in second to fifth year inclusive	1 176 225	1 552 577
	1 591 363	1 957 881

Operating leases - as lessee

Minimum lease payments due

- within one year including finance charges		778 779
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41. Commitments (continued)

Operating lease payments represent rentals payable by the municipality for certain of its office properties. No contingent rent is payable.

Operating leases – as lessor (income)

Minimum lease payments due

- within one year	(489 798)	(545 888)
- in second to fifth year	(898 505)	(939 141)
- later than five years	(218 753)	(247 818)
	<u>(1 607 056)</u>	<u>(1 732 847)</u>

Certain of the municipality's premises are rented out. The municipality has two contracts that generate contingent rent.

42. Contingencies (continued)

Contingent liabilities

Langebaan Country Estate valuation roll:

During the financial year 30 June 2008 the valuation roll was reviewed. The general valuation roll is for a 4 year period. A supplementary valuation was included because of property improvements. Litigation instituted by the Langebaan Country Estate against the municipality rejecting the increase in property values. Court proceedings are currently underway. This is a possible obligation which will lead to an outflow of resources. The estimated value of the litigation is R500 000.

The outcome of the court proceeding is uncertain.

Langebaan Country Estate and Sea Project Association:

During the financial year ending 30 June 2011 Langebaan Country Estate instituted court proceedings against the municipality. The Land and Sea Project is a company representing the adjacent home owners associations that have an interest in the surrounding areas on behalf of the municipality. Certain building conditions were imposed on Langebaan Country Estate which resulted in litigations against the municipality. The estimated value of this litigation is R100 000.

The outcome of the court proceeding is uncertain.

Charisma Beleggings BK:

In terms of its bylaws, the municipality may charge availability fees to developers. During the financial year ending 30 June 2011 claimants/developers that were charged fees in this matter instituted court proceedings on the basis that there were no services available on the land. During the financial year ended 30 June 2011, the claimant, Charisma Beleggings, did not respond to the court process, however this case is subjudice. The estimated value of this litigation is R30 000.

The outcome of the court proceeding is uncertain.

Britannia Beach Estate:

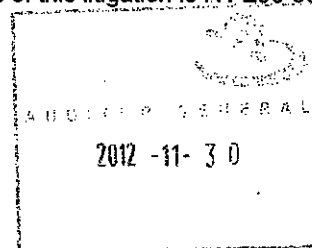
Applicant was granted relief by the High Court who rescinded Council's tariff model on how to calculate capital contributions. Leave to appeal was denied by the acting judge. Council has successfully petitioned the Judge President for leave to appeal and we are awaiting the court date. The estimated value of the litigation is R2 000 000. If any damages are claimed with regard to this matter, the estimated value will be R500 000.

The matter is uncertain and will only be determined in court at a later stage.

West Coast Miracles with Britannia Beach Estate:

A developer, West Coast Miracles, opposed the increase in property value which was enforced by Council during the financial year ending 30 June 2011. This resulted in an increase in rates on properties which was unfavourable to the developers who opposed this and appealed to the High Court for the increase to be reduced. Even though the municipality refused to reduce the valuation, the legal costs will still be incurred. The estimated value of this litigation is R1 200 000.

The matter is uncertain and will only be determined in court at a later stage.



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42. Contingencies (continued)

Contingent liabilities

Inter Coast Civils CC:

An urgent application were lodged against the municipality with a court date on 2 March 2012. The matter has been postponed since then. The estimated value of the litigation is R400 000.

Langebaan Waterfront CC:

The matter involves the non-compliance of the National Building Regulations and the Council is awaiting a report from the Provincial Government of the Western Cape. The estimated value of the litigation is R28 000.

Simpson / Van Minnin:

The municipality is the second respondent in this matter and did not oppose the matter in order to avoid a costs order. Matter concerns building control issues. The estimated value of the litigation is R20 000.

G De Bruyn:

An urgent application were lodged against the municipality with a court date on 23 March 2012. The rescinding of Council resolution regarding the precautionary suspension of Director: Community Services refers. The estimated value of the litigation is R150 000.

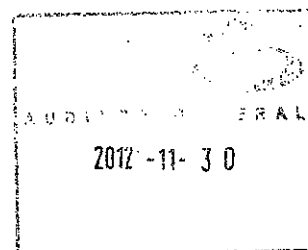
Capendale, Fiona Trust:

Application for the review of the approval of a building plan that was deemed to be non-compliant with the National Building Regulations. The estimated value of the litigation is R80 000.

Contingent assets

Tsha Isigalo:

Council is suing this defaulting tenderer to comply with the tender specifications. The responsibility to deliver with regards to the tender is still outstanding. The estimated value of the litigation is R350 000.



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43. Prior period errors

Error 1

Enatis Control Account

During the year under review it was discovered that receipts amounting to R9 432 were incorrectly allocated to trade and other payables instead of revenue. The municipality rectified this retrospectively. The cumulative effect on trade and other payables and accumulated surplus is R9 432.

Error 2

Prodiba Control Account

During the year under review it was discovered that receipts amounting to R25 792 were incorrectly allocated to trade and other payables instead of revenue. The municipality rectified this retrospectively. The cumulative effect on trade and other payables and accumulated surplus is R25 792.

Error 3

Trade and Other Payables

During the year under review we realised that there was an amount of R1 135 that were incorrectly allocated to trade and other payables in previous periods. The municipality decided to rectify this error retrospectively. The cumulative effect on trade and other payables and accumulated surplus is R1 135.

Error 4

Trade and Other Payables

During the year under review we realised that expenses amounting to R182 725 were incorrectly accrued for in prior years. The municipality decided to rectify this error retrospectively. The cumulative effect on trade and other payables and accumulated surplus is R182 725.

Error 5

Trade and Other Payables

During the year under review we realised that expenses amounting to R81 341 were incorrectly accrued for in prior years. The municipality decided to rectify this error retrospectively. The cumulative effect on trade and other payables and accumulated surplus is R81 341.

Error 6

Unpaid Conditional Grants

The municipality incurred expenditure on certain electrification projects in previous years. This expenditure should have been accounted for as a debtor due to the fact that the municipality received confirmation that they will be reimbursed for this projects in future periods. As a result the unpaid conditional grants and related accumulated surplus were understated by R5 000 000.

Error 7

Trade and Other Payables

During the year under review the municipality compared the total salaries for the past few years to the total salaries that were accounted for in the records of the municipality. This comparison led to the discovery of an error of R1 606 480 not allocated to salaries in the 2009/10 and prior periods. The municipality decided to rectify this retrospectively. The cumulative effect on trade and other payables and accumulated surplus is R1 606 480.

Error 8

Property, Plant and Equipment

During the year under review the municipality realised that certain assets were not disposed in previous periods. These assets relate to the Housing Development Fund projects and were never the property of the municipality. The municipality decided to rectify this retrospectively. The cumulative effect on property, plant and equipment and accumulated surplus is R4 580 012.

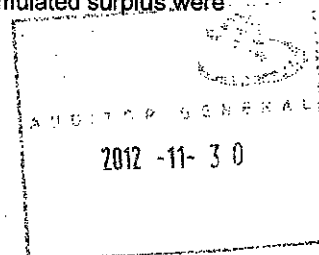
Error 9

Unpaid Conditional Grants

The municipality recognised a debtor of R113 660 in previous periods for expenses that were to be claimed back from the Municipal Infrastructure Grant (MIG) in 2011/12. After reviewing this debtor the municipality realised that this amount related to 2011/12 and not 2010/11. As a result the unpaid conditional grants and related accumulated surplus were overstated by R113 660.

Error 10

Trade and Other Payables



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43. Prior period errors (continued)

During the year under review we realised that expenses amounting to R217 873 were never accounted for in prior periods. The municipality decided to rectify this error retrospectively. The cumulative effect on trade and other payables and accumulated surplus is R217 873.

Error 11

Trade and Other Payables

During the year under review we realised that expenses amounting to R18 475 were never accounted for in prior periods. The municipality decided to rectify this error retrospectively. The cumulative effect on trade and other payables and accumulated surplus is R18 475.

Error 12

Trade and Other Payables

During the year under review we realised that expenses amounting to R2 744 were never accounted for in prior periods. The municipality decided to rectify this error retrospectively. The cumulative effect on trade and other payables and accumulated surplus is R2 744.

Error 13

Trade and Other Payables

During this year the municipality compared the total salaries for the past few years to the total salaries that were accounted for in the records of the municipality. This comparison led to the discovery of an error of R2 393 618 not allocated to salaries in 2010/11. The municipality decided to rectify this retrospectively. The cumulative effect on trade and other payables and accumulated surplus is R2 393 618.

Error 14

Trade and Other Payables

During the year the municipality discovered that trade and other payables were incorrectly accrued for during the previous year. There should never have been an accrual as the payment relating to the accrual was already allocated in the previous years' accounting records. The municipality decided to rectify the misallocation retrospectively. The cumulative effect on trade and other payables and accumulated surplus is R206 820.

Error 15

Property, Plant and Equipment

During the year the municipality discovered that a municipal property were incorrectly overstated with R54 595 000. This error related to the year ended 30 June 2010. Land were rectified retrospectively. The cumulative effect on property, plant and equipment and accumulated surplus is R54 595 000.

Error 16

Property, Plant and Equipment

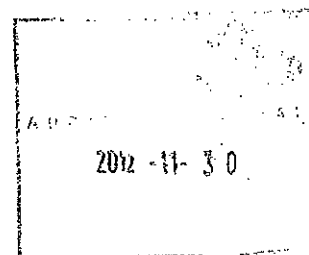
During the year the municipality discovered that a beach erosion project was already completed and commissioned. This resulted in accumulated depreciation being understated since the year ended 30 June 2009. The municipality decided to rectify this retrospectively. The cumulative effect on property, plant and equipment accumulated depreciation was R3 921 634, of which R1 701 231 related to the year ended 30 June 2011 and R2 220 405 to the year's ended 30 June 2010 and 30 June 2009.

Error 17

Top structures written-off

The municipality build top structures for qualifying beneficiaries. Some of these completed structures have not been transferred to the beneficiaries yet. The amounts have been written-off incorrectly in this year, instead of the period the house was transferred to the beneficiary. The total error in this year amounted to R16 388 806 against the accumulated surplus for 30 June 2011.

The correction of the error(s) results in adjustments as follows:



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43. Prior period errors (continued)

Statement of financial position and Financial Performance

Error 1 - Trade and Other Payables - Enatis Control Account - 30 June 2011	-	9 432
Error 1 - Accumulated Surplus - 30 June 2011	(9 432)	(9 432)
Error 2 - Trade and Other Payables - Prodiba Control Account - 30 June 2011	-	25 792
Error 2 - Accumulated Surplus - 30 June 2011	(25 792)	(25 792)
Error 3 - Trade and Other Payables - Trade Payables - 30 June 2011	-	(1 135)
Error 3 - Accumulated Surplus - 30 June 2011	1 135	1 135
Error 4 - Trade and Other Payables - Other Payables - 30 June 2011	-	182 725
Error 4 - Accumulated Surplus - 30 June 2011	(182 725)	(182 725)
Error 5 - Trade and Other Payables - Other Payables - 30 June 2011	-	81 341
Error 5 - Accumulated Surplus - 30 June 2011	(81 341)	(81 341)
Error 6 - Trade and Other Receivables - Unpaid Grants - 30 June 2011	-	5 000 000
Error 6 - Accumulated Surplus - 30 June 2011	(5 000 000)	(5 000 000)
Error 7 - Trade and Other Payables - Other Payables - 30 June 2011	-	(1 606 480)
Error 7 - Accumulated Surplus - 30 June 2011	1 606 480	1 606 480
Error 8 - Property, Plant and Equipment - WIP @ Cost - 30 June 2011	-	(4 580 012)
Error 8 - Top Structures Written-off - 30 June 2011	-	4 580 012
Error 8 - Accumulated Surplus - 30 June 2011	4 580 012	-
Error 9 - Trade and Other Receivables - Unpaid Grants - 30 June 2011	-	(113 660)
Error 9 - Grants and Subsidies received - 30 June 2011	-	113 660
Error 9 - Accumulated Surplus - 30 June 2011	113 660	-
Error 10 - Trade and Other Payables - Trade Payables - 30 June 2011	-	(217 873)
Error 10 - Professional Fees - 30 June 2011	-	217 873
Error 10 - Accumulated Surplus - 30 June 2011	217 873	-
Error 11 - Trade and Other Payables - Trade Payables - 30 June 2011	-	(18 475)
Error 11 - Telephone and Fax - 30 June 2011	-	18 475
Error 11 - Accumulated Surplus - 30 June 2011	18 475	-
Error 12 - Trade and Other Payables - Trade Payables - 30 June 2011	-	(2 744)
Error 12 - Land and Sites - 30 June 2011	-	2 744
Error 12 - Accumulated Surplus - 30 June 2011	2 744	-
Error 13 - Trade and Other Payables - Trade Payables - 30 June 2011	-	(2 393 618)
Error 13 - Employee Related Costs - 30 June 2011	-	2 393 618
Error 13 - Accumulated Surplus - 30 June 2011	2 393 618	-
Error 14 - Trade and Other Payables - Trade Payables - 30 June 2011	-	206 820
Error 14 - Traffic Fines - 30 June 2011	-	(206 820)
Error 14 - Accumulated Surplus - 30 June 2011	(206 820)	-
Error 15 - Property, Plant and Equipment - Land @ Cost - 30 June 2011	-	(54 595 000)
Error 15 - Accumulated Surplus - 30 June 2011	54 595 000	54 595 000
Error 16 - Property, Plant and Equipment - Community @ Acc Depr - 30 June 2011	-	(3 921 636)
Error 16 - Depreciation - 30 June 2011	-	1 701 231
Error 16 - Accumulated Surplus - 30 June 2011	3 921 636	2 220 405
Error 17 - Property, Plant and Equipment - WIP - 30 June 2009	-	(305 816)
Error 17 - Property, Plant and Equipment - WIP - 30 June 2010	-	(2 900 786)
Error 17 - Inventory - 30 June 2010	-	1 238 702
Error 17 - Property, Plant and Equipment - WIP - 30 June 2010	-	(15 843 257)
Error 17 - Inventory - 30 June 2010	-	1 422 351
Error 17 - Top structures written-off - 30 June 2011	-	14 420 906
Error 17 - Accumulated Surplus	16 388 806	1 967 900

44. Change in estimate

Property, plant and equipment

During the year under review the municipality reviewed the conditions of all the movable assets. The change in estimate will lead to a decrease in depreciation to the amount of R4 088 927 per year. Refer Note 12.

45. Comparative figures

Certain comparative figures have changed. The changes are as a result of amounts reclassified or prior period errors.

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45. Comparative figures (continued)

For more detail refer to Appendix I.

46. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

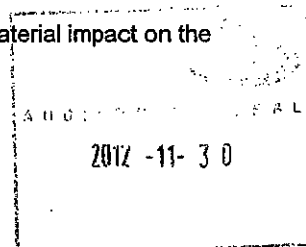
Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Financial assets exposed to credit risk at year end were as follows:

Financial Instrument	2012	2011
Other receivable from exchange transactions	29 274 962	25 497 501
Other receivables from non-exchange transactions	6 187 426	7 391 505
Trade and other receivables from exchange transactions	86 071 941	68 573 313
Cash and cash equivalents	499 034 885	452 433 314

47. Events after the reporting date

The municipality are not aware of any other events, after the reporting date, that might have a material impact on the financial statements.

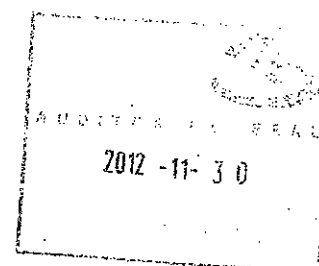


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48. Fruitless and wasteful expenditure		
Opening Balance	221 391	212 641
VAT penalty and interest	-	54 539
Salary payment to EPWP employee	-	8 750
Re-imbursement of audit committee member	520	-
Interest paid on Eskom account	29 040	-
Cancellation of flight tickets	2 584	-
Salary payment where leave were exhausted - J Msomi	2 182	-
Salary payment where leave were exhausted - Z Fatuse	8 579	-
Cellphone, study loan and rent payments	15 187	-
Interest and penalties - SARS	964	-
Interest paid on Telkom account	752	-
Duplicate payment to supplier	24 906	-
Original contract price being exceeded	2 512 865	-
Less: Amount reclassified as regular (legal fees of councillors 2008)	(30 000)	-
Less: Amount condoned (VAT penalty and interest 2011)	-	(54 539)
Less: Amount written off (salary paid to area manager 2009)	(101 877)	-
Less: Amount written off (salary payment to EPWP employee 2011)	(1 400)	-
Less: Amount recovered (salary payment to EPWP employee 2011)	(7 350)	-
Less: Amount written off (unauthorised use of council property 2010)	(1 500)	-
Less: Amount written off (over payment to contractor 2010)	(35 000)	-
Less: Amount written off (travel allowance paid to municipal officials 2010)	(44 264)	-
Less: Amount written off (re-imbursement of audit committee member 2012)	(520)	-
Less: Amount written off (interest paid on Eskom account 2012)	(17 710)	-
Less: Amount written off (cancellation of flight tickets 2012)	(2 584)	-
	2 576 765	221 391



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48. Fruitless and wasteful expenditure (continued)

Re-imbursement to audit committee member

During 2011/12 financial year an audit committee member had to reschedule a flight booking due to changes in the date of a Audit Committee meeting. Council has decided that the amount of R520 must be written off as irrecoverable. Council resolution 107/6-12(xiv).

Interest paid on Eskom account

During 2011/12 interest to the amount of R29 040 were paid on the ESKOM account. Council decided that the amount of R17 710 must be written off as irrecoverable. Council resolution 107/1-12(xv).

The amount of R11 330 must still be submitted to the section 32 committee for investigation.

Cancellation of flight tickets

Council decided that the amount of R2 584 must be written off as irrecoverable. Council resolution R107/6-12(ii).

Salary payment were leave was exhausted - J Msomi

Salary payments of R2 182 were made to J Msomi where the leave was exhausted.

Salary payment were leave was exhausted - Z Fatuse

Salary payments totaling R8 579 were made to Z Fatuse for unauthorised leave taken from 11 November 2011 until 6 January 2012. The employee was dismissed shortly thereafter.

Cellphone, study loan and rent payments relating to previous employee

Payments to the value of R15 187 were made in respect of a previous employee relating to cellphone costs, study loan and rent payments. The municipality is currently investigating possible recovery of this amount.

Interest and penalties paid to SARS

During 2011/12 financial year penalties and interest amounting to R964 were paid to the SARS in respect to an underpayment that was made.

Interest paid on Telkom account

During 2011/12 financial year interest was paid to Telkom amounting to R752 for a late payment.

Duplicate payment to supplier

Payment was made into the incorrect bank account of a supplier for the amount of R24 906. The payment could not be recalled as it was paid into a bank account of a deceased estate.

Legal fees paid on behalf of councillors during the 2007/08 financial year

The previous Council resolutions (R32/6-08 and R31/8-09) regarding expenditure amounting to R30 000 emanating from the legal fees paid of Councillors in the appointment of legal representation: West Coast District Municipality and 35 others vs HC Kitshoff and 11 others be rescinded and be deemed as regular payment as the action of the then Acting Municipal Manager (Mr S Cordon) was in the interest of Council in terms of cost effectiveness. Council resolution R107/6-12(vi).

Salary to area managers

Salaries were paid to area managers during the 2008/09 year under review. Council decided that the amount of R101 877 is irrecoverable and must be written off. Council resolution R107/6-12(iv).

Salary payment to EPWP employee

During the 2010/11 financial year under review a payment of R8 750 was made to a fictitious employee on an EPWP project. An amount of R7 350 was recovered from the employee during the year under review. Council resolution R107/6-12(ix).

Unauthorised use of council property

During the 2010/11 financial year under review Chippa Security had unauthorised use of council property. Due to the immateriality of the amount of R1 500, compared to the legal process, Council decided that this amount must be written off as irrecoverable. Council resolution R107/6-12(v).

Over-payment to contractor

During 2011/12 an overpayment to a contractor took place to Guentanin Construction CC. Council decided that the amount of R35 000 must be written off as irrecoverable as the recovery cost will exceed this amount. Council resolution R107/6-12(vii).

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48. Fruitless and wasteful expenditure (continued)

Travel allowance paid to municipal officials without proper approval

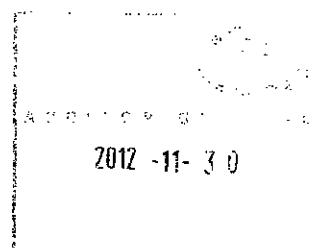
During the 2009/10 financial year the municipality paid certain individuals travel allowances without receiving proper approval from the Council. Council subsequently approved agreements with officials in May 2010. Council decided that the amount of R44 264 must be written off as irrecoverable. Council resolution R107/6-12(viii)

Original contract price being exceeded

The original contract price for Victory Ticket 914CC and subcontractors were exceeded by R2 512 865. The process of quantification/investigation is still in process.

49. Irregular expenditure

Opening balance	25 219 071	57 931 180
Payments to companies of which the director, manager or stakeholder is a person in service of the state	-	400 156
Payments to consultants without contracts or deviation orders approved	11 100	-
Less: Amounts written off (contracts under R2 000)	-	(27 366)
Less: Amounts written off (payments to consultants)	-	(885 911)
Less: Amounts written off (capital payments with less than three quotes)	(449 388)	(201 414)
Less: Amounts written off (contracts over R200 000 - advertising)	-	(383 287)
Less: Amounts written off (contracts over R200 000 - security)	-	(245 746)
Less: Amounts written off (contracts over R200 000 - entertainment)	-	(21 000)
Less: Amounts written off (contracts over R200 000 - postage and courier)	-	(1 171 525)
Less: Amounts written off (contracts over R200 000 - outstanding vouchers)	-	(31 592)
Less: Amounts written off (limited bidding)	(298 185)	(339 000)
Less: Payments to suppliers deemed regular	(21 740 536)	(29 805 424)
Less: Amounts written off (payments to person in service with the state)	(1 709 918)	-
	1 032 144	25 219 071



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49. Irregular expenditure (continued)

Severance package paid to employee

During the 2007/08 financial year due processes were not followed before the severance package of an employee was approved and paid. The severance package of R709 610 is considered to be irregular expenditure.

This case has been presented to Council. Council instructed a proper investigation should be conducted by the Administration department. This investigation has not been finalised yet and is still unresolved.

Payments to consultant without contracts or deviation orders approved

During the 2010/11 financial year R885 911 was written off by Council as irrecoverable as per Council resolution R107/6-12(iii). The amount stated in note 49 above for the previous year is incorrect and must be R874 811, and not R885 911. An additional report must still be presented to the Section 32 committee regarding the outstanding amount of R11 100 for Schoeman and Hamman Attorneys.

Council wrote off the amount of R885 911 in the previous financial year.

Capital purchases with less than three quotes

During the previous financial year the municipality purchased assets without obtaining three quotes. The total amount of these payments were R650 802.

The Council wrote off R201 414 of the payments during 2010/11. An amount of R449 388 was written off during the current year. Council resolutions R107/6-12(iii) and (xii)

Limited bidding during the Supply Chain process

During the 2009/10 financial year the municipality made payments to suppliers where there were limited bidding. The total amount of these irregular payments was R637 185. Council wrote off R339 000 in the 2010/11 financial year as irrecoverable under Council resolution 107/6-12(iii) and the balance thereof of R298 185 in the 2011/12 financial year under Council resolution 107/6-12(viii).

Potential irregular payments to suppliers

During the 2009/10 financial year possible irregular payments of R51 857 394 were identified and Deloitte was appointed to do a forensic investigation. After Council has reviewed the reports of the investigation the following decisions were made:

Payments deemed to be regular under Council resolution R113/2-12 (iii) - R29 805 424 (2010/11)
Payments deemed to be regular under Council resolution R112/10-11 (ii) - R14 253 507 (2011/12)
Payments deemed to be regular under Council resolution R107/6-12 (x) - R7 487 029 (2011/12)

An amount of R311 434 has not been written off due to the fact that no settlement agreement has been reached yet. This amount is still under investigation by the section 32 committee.

Payments to Companies of which the director, manager or stakeholder is a person in service of the state

During the 2009/10 and 2010/11 financial years irregular expenditure to the value of R1 309 762 and R400 156 respectively were identified for payments to companies of which the director, manager or stakeholders is a person in service of the state. As per Council resolution R107/6-12(xi), the total amount of R1 709 918 was written off as irrecoverable.

Explanation of irregular expenditure written off

Council did not incur any financial loss due to the irregular expenditure incurred, however, the expenditure were written off in terms of section 32(2)(b) of the MFMA.

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee
Amount paid - current year

No amounts were outstanding at year end.

1 185 485	820 590
(1 185 485)	(820 590)
2012-11-30	-

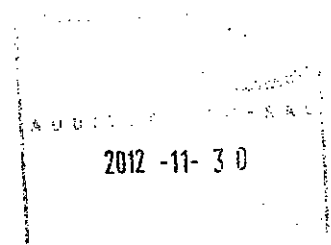
Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
50. Additional disclosure in terms of Municipal Finance Management Act (continued)		
South African Music Rights and Skills Development Levies		
Current year subscription / fee	1 354 062	1 217 025
Amount paid - current year	(1 354 062)	(1 217 025)
	-	-
No amounts were outstanding at year end.		
Audit fees		
Current year subscription / fee	3 532 600	3 041 885
Amount paid - current year	(3 532 600)	(3 041 885)
	-	-
No amounts were outstanding at year end.		
PAYE and UIF		
Current year payroll deductions	19 050 781	15 624 865
Amount paid - current year	(19 050 781)	(15 624 865)
	-	-
No amounts were outstanding at year end.		
Pension and Medical Aid Deductions		
Current year payroll deductions and Council contributions	45 967 005	32 887 520
Amount paid - current year	(45 967 005)	(32 887 520)
	-	-
No amounts were outstanding at year end.		
VAT		
VAT receivable	-	503 273
VAT payable	5 036 686	-
	5 036 686	503 273

All VAT returns have been submitted by the due date throughout the year.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

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50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2011:-

30 June 2012	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Jordaan PM	1 873	1 550	3 423
Councillor Benjamin TG	612	3 939	4 551
	<u>2 485</u>	<u>5 489</u>	<u>7 974</u>
30 June 2011	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Skei J & R	-	374	374
Councillor De Bruyn GN & LK	1 276	14 765	16 041
Councillor Biko MS	710	224	934
Councillor Jordaan PM	1 422	11 186	12 608
	<u>3 408</u>	<u>26 549</u>	<u>29 957</u>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2012	Highest outstanding amount	Ageing (in days)
Councillor De Bruyn GN	4 425	120
Councillor Benjamin TG	3 939	120
Councillor Jordaan PM	1 550	120
Councillor Skei J	508	120
Councillor Abdol RK	190	120
	<u>10 612</u>	<u>600</u>
30 June 2011	Highest outstanding amount	Ageing (in days)
Councillors De Beer JJ&O	1 100	120
Councillor Skei J	84	120
Councillor De Bruyn GN	15 234	120
Councillor Jordaan PM	10 559	120
	<u>26 977</u>	<u>480</u>

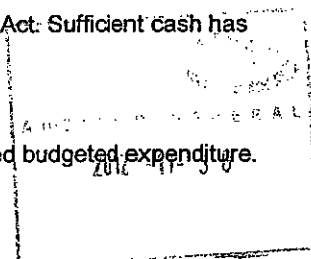
51. Utilisation of other financial liabilities reconciliation

Long-term liabilities raised	77 300 653	88 161 686
Used to finance property, plant and equipment	<u>(77 300 653)</u>	<u>(88 161 686)</u>
	<u>-</u>	<u>-</u>

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

52. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) and J for the comparison of actual operating expenditure versus adjusted budgeted expenditure.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

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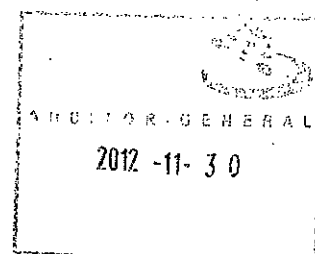
53. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E(2) for the comparison of actual capital expenditure versus adjusted budgeted expenditure.

54. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements. The total deviations for the year under review amounted to R13 387 586.



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

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55. Related parties

Relationships

Municipal Manager (Refer note 32)
Municipal Manager (Refer note 32)
Chief Financial Officer (Refer note 32)
Chief Financial Officer (Refer note 32)
Director Technical Services (Refer note 32)
Director Technical Services (Refer note 32)
Director Technical Services (Refer note 32)
Director Corporate Services (Refer note 32)
Director Community Services (Refer note 32)
Director Community Services (Refer note 32)

L Scheepers
J Fortuin
S Vorster
J van Collier
R Groenewald
J Marais
G Smith
N van Stade
T Bagus
J Marais

Executive Mayor (Refer note 33)

R Jager
- Cell: 0733656673
- Fax: 022 7133805
- E-mail: rosil.jager@sbm.gov.za

Executive Deputy Mayor (Refer note 33)

F Schippers
- Cell: 0734883543
- Fax: 022 7133805
- E-mail: francois.schippers@sbm.gov.za

Speaker (Refer note 33)

O Daniels
- Cell: 0781121465
- Fax: 022 7133805
- E-mail: olwene.daniels@sbm.gov.za

Mayoral Committee Members (Refer note 33)

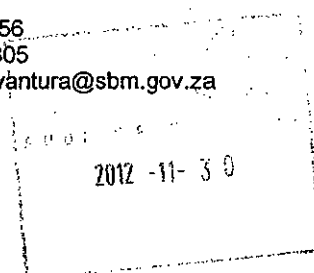
R Don
- Cell: 0826342452
- Fax: 022 7133805
- E-mail: ryan.don@sbm.gov.za

S Louw
- Cell: 0833771891
- Fax: 022 7133805
- E-mail: stephan.louw@sbm.gov.za

F Pronk
- Cell: 0733883491
- Fax: 022 7133805
- E-mail: frank.pronk@sbm.gov.za

E Steyn
- Cell: 0832844850
- Fax: 022 7133805
- E-mail: elize.steyn@sbm.gov.za

S van Tura
- Cell: 0735840156
- Fax: 022 7133805
- E-mail: sucilla.vantura@sbm.gov.za



Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

2012

2011

55. Related parties (continued)

Councillors (Refer note 33)

T Benjamin

- Cell: 0725814060

- Fax: 022 7133805

- E-mail: None

J Cillie

- Cell: 0825539789

- Fax: 022 7133805

- E-mail: fotojan@tiscali.co.za

F Mbanze

- Cell: 0823078915

- Fax: 022 7133805

- E-mail: None

S Vries

- Cell: 0796338622

- Fax: 022 7133805

- E-mail: None

A Kruger

- Cell: 0736640506

- Fax: 022 7133805

- E-mail: info@wowlangebaan.co.za

S Masina

- Cell: 0715080327

- Fax: 022 7133805

- E-mail: None

B Jordaan

- Cell: 0721410066

- Fax: 022 7133805

- E-mail: None

G de Bruyn

- Cell: 0718301573

- Fax: 022 7133805

- E-mail: None

P Jordaan

- Cell: 0721410066

- Fax: 022 7133805

- E-mail: None

I de Bruin

- Cell: 0768578281

- Fax: 022 7133805

- E-mail: None

H Padayachee

- Cell: 0844538626

- Fax: 022 7133805

- E-mail: None

S Sgoba

- Cell: 0836935791

- Fax: 022 7133805

- E-mail: None

W Arendse

AUDITOR GENERAL

2012 -11- 30

Saldanha Bay Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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55. Related parties (continued)

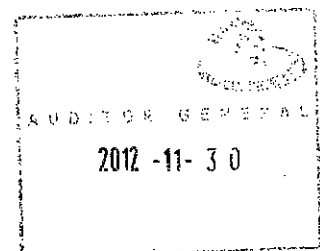
- Cell: 0728931687
- Fax: 022 7133805
- E-mail: None

A de Bruyn
- Cell: 0823078972
- Fax: 022 7133805
- E-mail: None

N Mqogi
- Cell: 0825539795
- Fax: 022 7133805
- E-mail: None

M Biko
- Cell: 0823078911
- Fax: 022 7133805
- E-mail: None

J Skei
- Cell: 0823078894
- Fax: 022 7133805
- E-mail: None



**Saldanha Bay Municipality
Unaudited Appendix A
30 June 2012**

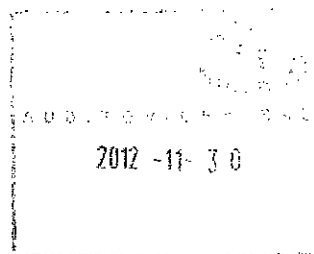
EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012
Other Financial Liabilities			R	R	R	R
Dept. of Water affairs	AA 3701-12-20		122 205	-	20 678	101 526
Development Bank SA @ 12.534%	Project 13435/1	2014/12/31	745 280	-	212 937	532 343
Development Bank SA @ 12.534%	Project 13437/1	2014/12/31	1 276 439	-	364 697	911 742
Development Bank SA @ 12.534%	Project 13439/1	2014/12/31	321 585	-	91 881	229 703
Development Bank SA @ 12.534%	Project 13440/1	2014/12/31	1 089 742	-	311 355	778 387
Development Bank SA @ 12.534%	Project 13441/1	2014/12/31	1 852 293	-	529 227	1 323 066
Development Bank SA @ 12.95%	Project 100394/1	2013/06/30	1 705 019	-	798 802	906 217
Development Bank SA @ 10.80%	Project 101315/1	2014/06/30	2 495 012	-	745 354	1 749 658
Development Bank SA @ 9.63%	Project 101783/1	2015/06/30	1 921 668	-	414 477	1 507 190
Development Bank SA @ 9.36%	Project 102908/1	2018/12/31	5 529 440	-	589 207	4 940 234
Development Bank SA @ 11.86%	Project 103640/1	2020/06/30	18 168 349	-	1 213 585	16 954 763
Development Bank SA @ 6.75%	Project 103640/1	2020/06/30	5 562 660	-	466 159	5 096 502
Development Bank SA @ 10.95%	Project 103956/1	2026/06/30	20 000 000	-	564 698	19 435 302
Nedbank @ 9.22%	5723	2017/06/30	16 675 911	-	2 196 193	14 479 718
Nedbank @ 8.94%	5725	2011/06/30	-	-	-	-
Nedbank @ 9.20%	5727	2015/06/30	10 696 085	-	2 341 783	8 354 302
Total annuity loans			88 161 687	-	10 861 033	77 300 653
Leased Liabilities						
Multid Forwind (Winelands Finance)			246	-	245	-
Telkom			1 582 656	39 537	280 525	1 341 668
Total Lease Liability			1 582 902	39 537	280 770	1 341 668
Total External Loans			89 744 589	39 537	11 141 803	78 642 321

Short-term portion for 30 June 2013
R
22 409
218 736
364 697
91 809
311 355
529 227
906 217
828 788
455 877
647 119
1 367 976
499 214
634 512
2 408 810
2 564 666
11 851 412
306 840
306,840
12 158 252

[illegible]

CLOSING										DEPRECIATION									
STREET NAME & TRAFFIC SIGNS	Closing Balance 3/30/2012	Prior Year Error	Closing Balance (Revised)	Transfers to Asset Indebt Projects	Additions	Disposals	Closing Balance 3/30/2012	Closing Balance 3/30/2012	Prior Year Error	Closing Balance (Revised)	Transfers Between Funds	Additions	Implementations	Disposals	Closing Balance 3/30/2012				
STREET NAME & TRAFFIC SIGNS	3,072,275		3,072,275	70,721	4,504	-65,808	3,133,992	-1,578,618	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
SECURITY FENCE	1,701,237		1,701,237		629,611		2,331,569	-1,124,748	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
WATER	518,786		518,786				518,786	-48,786	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
WASTE	250,420		250,420				250,420	-11,206	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
WATER CONNECTED	3,468,140		3,468,140				3,468,140	-1,206	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
PUMP CONTROL, PUMP, WIPERS	3,433,365		3,433,365		682,102	-228,603	3,891,864	-2,321,549	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
WATER PUMP	11,059,210		11,059,210		417,991		11,477,201	-4,823,835	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
WATER TREATMENT	1,821,785		1,821,785		80,285		1,902,070	-5,281,039	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
COMMUNITY	2,272,501,067		2,272,501,067	22,708,781	18,263,773	-2,008,178	2,313,867,446	-1,018,837,344	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
SAND/GRASS/ROCKIES									-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
BEACH DEVELOPMENTS									-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
BEACH	10,910,132		10,910,132	27,083,180	72,730		31,765,042	-11,322,208	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
BOWLA	18,328		18,328				18,328	-1,629	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CHURCH	67,689		67,689				67,689	-18,206	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CIVIL	915,264		915,264	84,721			1,000,000	-10,735	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
COMMUNITY - COMMUNITY									-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
COMMUNITY CENTRES	1,591,202		1,591,202				1,591,202	-124,303	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
COAT	528,644		528,644				528,644	-417,803	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	10,465		10,465				10,465	-164,439	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483				482,483	-2,208,751	-4,688,000	-1,018,837,344	-1,811,081	-307,882	-19,377	95,909	-1,991,590				
CLIMATE CONTROL	482,483		482,483																

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LEASED ASSETS	2012										DEPRECIATION					
	Closing Balance 30/06/2011	Prior Year error	Opening Balance (restated)	Transfers to assets held for sale	Transfers Work-in-progress	Additions	Disposals	Closing Balance 30/06/2012	Closing Balance 30/06/2011	Prior Year Error	Opening Balance (restated)	Transfers between categories	Additions	Impairment Losses	Disposals	Closing Balance 30/06/2012
OFFICE MACHINES - LEASES	1,638,932	-	1,638,932	-	-	34,095	-	1,673,027	-119,277	-	-119,277	-	443,399	-	-	662,845
	1,639,832	-	1,639,832	-	-	34,095	-	1,673,927	-119,277	-	-119,277	-	443,399	-	-	662,845
WIP	99,769,498	-33,670,871	76,138,625	-	-54,597,853	30,217,455	-	51,860,397	-	-	-	-	-	-	-	-
	99,769,498	-33,670,871	76,138,625	-	-54,597,853	30,217,455	-	51,860,397	-	-	-	-	-	-	-	-
	3,282,215,267	-76,224,871	3,184,090,396	-	0	104,620,051	-29,511,265	3,259,459,182	-1,210,828,308	-3,971,836	-1,214,748,842	-	-80,954,940	-4,910,738	3,468,571	-1,306,692,047
TOTAL ON 30/06/2012																

Saldanha Bay Municipality
Unaudited Appendix C
30 June 2012

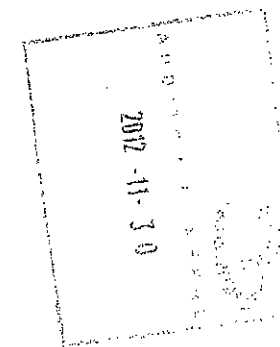
Segmental statement of assets													
	COST						ACCUMULATED DEPRECIATION						
	Opening Balance	Prior Year Error	Opening Balance (Restated)	Additions 2011/12	Disposals 2011/12	Closing Balance 2011/12	Opening Balance	Prior Year Error	Opening Balance (Restated)	Additions 2011/12	Impairment Losses 2011/12	Disposals 2011/12	Closing Balance 2011/12
Executive & Council	9 514 718		9 514 718	444 805	-37 036	9 922 487	-3 875 200		-3 875 200	-1 421 875	-118 750	19 735	-5 186 080
Corporate Services	590 159 364	-54 595 000	535 564 364	6 200 008	-82 818	541 681 785	-62 681 750		-62 681 750	-5 062 347	-306 888	2 514	-68 048 271
Planning & Development	8 180 834		8 180 834	763 001	8 482	8 952 317	-4 335 863		-4 335 863	-1 013 788	-24 561	8 991	-5 387 220
Community & Social Services	13 486 097		13 486 097	3 625 909	-117 358	16 974 648	-2 896 102		-2 896 102	-839 199	-21 559	102 564	-3 854 205
Housing	33 620 631	-23 629 871	9 990 760	25 846 861	-25 947 449	9 890 172	-5 050 327		-5 050 327	-375 755	-2 840	22 687	-5 406 236
Public Safety	44 604 637		44 604 637	924 981	-38 032	45 491 586	-10 440 317		-10 440 317	-1 887 018	-66 798	88 733	-12 325 400
Sport & Recreation	130 728 999		130 728 999	3 624 090	-7 008	134 344 081	-31 587 975	-3 821 836	-35 409 811	-5 508 007	-13 388	1 586	-41 009 388
Environmental Management	210 516		210 516	-	-	210 516	-83 024		-83 024	-46 517	-	-	-109 542
Waste Water management	492 791 413		492 791 413	28 215 414	2 209 035	524 215 862	-231 610 016		-231 610 016	-13 871 141	-3 071 940	-712 177	-249 265 274
Road Transport	1 087 469 555		1 087 469 555	17 112 435	-3 738 578	1 100 843 411	-508 782 135		-508 782 135	-39 732 176	-757 348	2 287 034	-547 004 625
Water	372 832 107		372 832 107	5 495 100	-678 061	377 651 126	-158 370 142		-158 370 142	-8 761 263	-170 327	636 205	-168 665 526
Electricity	478 686 773		478 686 773	11 668 027	-1 084 822	489 270 177	-181 353 717		-181 353 717	-11 985 383	-356 559	1 050 699	-202 844 940
Other	11 593		11 593	-	-	11 593	-1 739		-1 739	-581	-	-	-2 320
	3 262 275 267	-78 224 871	3 184 050 396	104 920 831	-39 611 285	3 259 459 762	-1 218 828 386	-3 821 836	-1 214 749 942	-20 504 840	-4 910 738	3 466 571	-1 308 699 047

Saldanha Bay Municipality
Unaudited Appendix D
30 June 2012

Segmental Statement of Financial Performance

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R	Sub Function	2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
122 677 527	182 732 856	(60 055 329)	Executive & Council	156 044 426	30 775 683	125 268 745
4 664 160	43 013 368	(38 349 208)	Finance & Admin	979 211	35 413 991	(34 434 780)
1 989 475	9 881 696	(7 892 221)	Planning & Development	1 215 942	14 915 669	(13 699 727)
1 903 914	12 940 921	(11 037 007)	Community & Social Services	2 748 041	16 920 195	(14 172 154)
41 813 255	28 584 229	13 229 026	Housing	62 813 780	57 451 256	5 362 524
3 960 060	12 806 769	(8 846 709)	Public Safety	(327 568)	12 021 977	(12 349 545)
70 562 136	57 163 545	13 398 591	Waste Management	81 670 080	76 082 553	5 587 527
22 574 871	(29 981 796)	52 556 667	Road Transport	4 859 209	72 347 736	(67 488 527)
86 752 249	73 065 755	13 686 494	Water	92 272 011	79 573 932	12 698 079
174 916 676	134 876 641	40 040 035	Electricity	222 206 957	188 087 853	34 119 104
8 210 604	12 610 315	(4 399 711)	Other	3 966 148	32 138 541	(28 172 393)
540 024 927	537 694 299	2 330 628	Sub Total	628 448 237	615 729 386	12 718 853
-	(19 946 073)	19 946 073	Less: Inter-Dept Charges	-	(20 538 334)	20 538 334
540 024 927	517 748 226	22 276 701	Total	628 448 237	595 191 052	33 257 187
		22 276 701				33 257 187

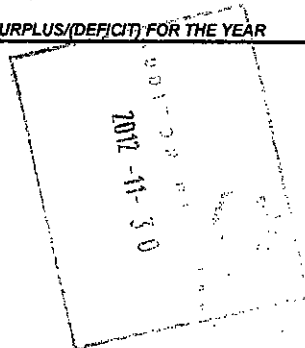
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Saldanha Bay Municipality
Unaudited Appendix E(1)
30 June 2012

Actual versus Budget for the year ended 30 June 2012

REVENUE	Actual (R)	Budget (R)	Variance (R)	Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Property rates	139 237 023	138 903 168	333 855	0.24%	
Less: Revenue Foregone	-17 676 149	-14 570 326	-3 105 823	21.32%	
Net: Property Rates	121 560 874	124 332 842	-2 771 968	-2.23%	
Property rates - penalties imposed and collection charge	5 505 928	4 000 000	1 505 928	37.65%	Property rates were not paid in time as anticipated
Service charges	374 526 706	374 525 753	953	0.00%	
Rental of facilities and equipment	9 084 779	10 297 609	-1 212 830	-11.78%	Mainly lower income generated from the resorts than anticipated
Interest earned - external investments	26 896 409	22 311 000	4 585 409	20.55%	Income higher than anticipated as the cash position improved
Interest earned - outstanding debtors	2 316 700	2 535 226	-218 526	-8.62%	
Fines	2 544 116	3 033 440	-489 324	-16.13%	Income lower than anticipated
Licenses and permits	1 366 417	571 394	795 023	139.14%	Income higher than anticipated
Income for agency services	2 584 859	2 826 950	-242 091	-8.56%	
Government grants and subsidies	74 305 084	83 047 771	-8 742 687	-10.53%	Mostly unspent grants at year-end which was rolled over to 2012/13
Other income	7 756 367	11 932 635	-4 176 268	-35.00%	Income lower than anticipated
Total Revenue	628 448 239	639 414 620	-10 966 381	-1.72%	
EXPENDITURE					
Employee related costs	175 340 189	182 097 000	-6 756 811	-3.71%	
Remuneration of Councilors	7 580 515	7 527 000	53 515	0.71%	
Bad debt impairment	9 100 580	16 054 098	-6 953 508	-43.31%	Debt collection were better than anticipated for the year
Collection costs	144 449	601 417	-456 968	-75.98%	Expense lower than anticipated
Depreciation and Impairment	95 415 676	96 317 899	-902 223	-0.94%	
Finance Cost	9 302 609	10 222 150	-919 541	-9.00%	
Bulk purchases	183 052 748	176 853 000	6 199 748	3.51%	
Grants and subsidies paid	19 025 296	28 327 000	-9 301 704	-32.84%	Expense lower than anticipated
General expenses	96 228 980	126 086 583	-29 857 603	-23.68%	Expense lower than anticipated
Total Expenditure	595 191 052	644 086 147	-48 895 095	-7.69%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	33 257 187	-4 671 527	37 928 714		



Saldanha Bay Municipality
Unaudited Appendix E(2)
30 June 2012

Actual Versus Budget for the year ended 30 June 2012

		2012 Actual	2012 Under Construction	2012 Total Additions	2012 Amendment Budget	2012 Variance	2012 Variance	Explanation of Significant Variances greater than 5% versus Budget
		R	R	R	R	R	%	
Executive & Council	1	444 805	-	444 805	733 549	-288 744	-39.4%	Delays in SCM processes - Projects rolled over to 2012/2013
Corporate Services	2	5 582 820	617 188	6 200 008	6 881 032	-681 024	-9.9%	
Planning & Development	3	763 001	-	763 001	1 118 241	-355 240	-31.8%	Cost for upgrading of town entrances less than anticipated
Community & Social Services	5	1 405 550	2 220 360	3 625 909	5 977 654	-2 351 745	-39.3%	Less was spent on the new library. Rolled over to 2012/2013
Housing	6	25 846 861	-	25 846 861	29 489 280	-3 642 419	-12.4%	Housing projects delayed and rolled over to 2012/2013
Public Safety	7	91 988	832 993	924 981	2 139 071	-1 214 090	-56.6%	Less was spent on street lighting and the brake test machine was rolled over
Sport & Recreation	8	3 245 557	378 533	3 624 090	5 937 083	-2 313 003	-39.0%	Expenditure less than anticipated and non-completed projects rolled over to 2012/13
Environmental Management	9	-	-	-	-	0	0.0%	
Waste Management	10	13 495 739	15 719 675	29 215 414	37 036 492	-7 821 078	-21.1%	Paternoster Sewer Plant was delayed due to the land purchase process.
Road Transport	11	15 970 644	1 141 791	17 112 435	19 655 090	-2 542 655	-12.9%	Stormwater projects were delayed due to SCM processes. Rolled over to 2012/2013.
Water	12	1 675 166	3 819 934	5 495 100	8 074 109	-2 579 009	-31.9%	Two projects (Saldanha & St Helena bay) were delayed and rolled over to 2012/2013
Electricity	13	6 088 316	5 579 711	11 668 027	15 981 015	-4 312 988	-27.0%	Projects in the amount of R2,4 million rolled over to 2012/2013.
Other	14	-	-	-	-	-	-	
Total		74 610 446	30 310 185	104 920 631	133 022 626	-28 101 996	-21.1%	

Saldanha Bay Municipality
Unaudited Appendix F
30 June 2012

<u>Name of Grants</u>	<u>Name of organ of state</u>	<u>Balance as at 1 July 2011</u>	<u>Reallocation</u>	<u>Receipts for the year ended 30 June 2012</u>	<u>Interest Received for the year ended 30 June 2012</u>	<u>Expenditure for the year ended 30 June 2012</u>	<u>Balance as at 30 June 2012</u>
<u>Conditional and Unconditional Grants (Liability)</u>							
Housing	Dept. of Housing	-11 527 921	-2 808 811	-44 716 625	-	17 160 830	-41 892 527
Social Dev	Dept. of Social Development	-42 414	-	-78 000	-	70 985	-49 429
MSG	DORA	-	-	-790 000	-	352 604	-437 396
FMSG	Provincial	-	-	-200 000	-	19 526	-180 474
Proclaimed Roads	Dept. of Public Transport	-	-	-133 232	-	133 232	-
PAWK: Libraries	Dept. of Culture	-7 373 536	-	-1 664 000	-405 306	2 435 004	-7 007 838
FMG	DORA	-	-	-1 250 000	-	1 250 000	-
PAWK: Sport & Recreation	Dept. of Sports and Recreation	-209 787	-	-1 000 000	-	-	-1 209 787
Councilors Remuneration	DORA	-	-	-1 504 000	-	1 504 000	-
Equitable Share	DORA	-	-	-27 792 000	-	27 792 000	-
PAWK: Sidewalks	Dept. of Transport	-141 105	-	-	-	-	-141 105
LED: S/Bay Cultural Village	District Municipality	-5 399	-	-	-	-	-5 399
		-19 300 163	-2 808 811	-79 127 857	-405 306	50 718 180	-60 923 957
<u>Capital Contribution</u>							
Saldanha Steel Funds: Diazville		-674 257	-	-	-	-	-674 257
Saldanha Steel Funds: Paternoster		-107 420	-	-	-	-	-107 420
Social Community Investing		-91 000	-	-	-	-	-91 000
Standard Bank Social Responsibility		-	-	-50 000	-	-	-50 000
Total Contribution		-872 677	-	-50 000	-	-	-922 677
Total of credit balances (as per note 20 of the AFS)		-20 172 840	-2 808 811	-79 177 857	-405 306	50 718 180	-51 846 634
<u>Conditional and Unconditional Grants (Receivable)</u>							
Housing	Dept. of Housing	-	2 808 811	-	-	-	2 808 811
MIG	DORA	1 188 370	-	-15 164 000	-	16 151 110	2 175 480
Dept Min & En	Dept. of Minerals and Energy	5 000 000	-	-5 000 000	-	-	-
Beach restoration	PAWK	1 203 135	-	-	-	-	1 203 135
Total of debit balances (as per note 8 of the AFS)		7 391 505	2 808 811	-20 164 000	-	16 151 110	6 187 426
Net liability (unspent at year-end)		-12 781 335	-	-99 341 857	-405 306	66 869 290	-45 659 208

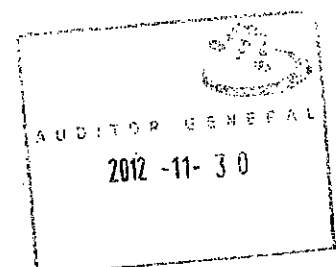
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Saldanha Bay Municipality
Unaudited Appendix G
30 June 2012

STATISTICAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2012

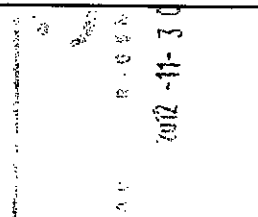
	<u>2011/12</u>	<u>2010/11</u>	<u>2009/10</u>
General Statistics			
Population	93 266	91 500	83 644
Number of registered voters	46 060	46 060	46 060
Area (km ²)	1 767	1 767	1 767
Total Valuations			
- Taxable (R million)	24 643	23 275	22 736
- Non Taxable (R million)			
- Residential (R million)	17 644	16 898	16 117
- General Residential (R million)			542
- Business (R million)	2 916	1 830	1 072
- Industrial (R million)	126	1 034	1 056
- Transnet/Spoornet/Portnet (R million)	24	66	67
- Public Works (R million)	1 056	776	565
- Telkom (R million)	6	0	0
- Provincial Administration (R million)	0	0	0
- Smallholdings (R million)	603	600	599
- Agriculture (R million)	1 478	1 420	1 696
- Other (R million)	790	651	1 022
<u>Valuation Date</u>	2008/01/07	2008/01/07	2008/01/07
Last general valuation came into effect on 1 July 2007			
Number of sites			
Number of sites valued	36 319	36 383	35 070
- Residential	30 714	31 863	32 006
- Industrial	90	441	554
- Business	1 296	493	481
- Public Works	329	92	111
- Telkom	5	0	0
- Provincial Administration	0	0	0
- Smallholdings	564	566	560
- Agriculture	277	785	745
- Other	3 044	2 143	613
Assessment Rates			
General : Land	0.9422c/R	0.9422c/R	1.1890 c/R
: Buildings	0.9422c/R	0.9422c/R	1.1890 c/R
<u>Other : Tariffs lower than general with the following % :</u>			
- : Single residential	50%	50%	50%
- : Smallholdings	50%	50%	50%
- : Agriculture	95%	95%	95%
- : Nature Reserves	75%	75%	75%
<u>Pensioners : Tariff lower than single residential with the following %</u>			
not exceeding income of R42 000 p.a.	40%	40%	40%
not exceeding income of R46 200 p.a.	30%	30%	30%
not exceeding income of R50 820 p.a.	20%	20%	20%
Number of employees in service	976	1 041	877
Cleansing Statistics			
Km completed	528 000	528 000	402 180
Refuse removed (m ³)	55 079	42 657	78 886
Cost per m ³ removed	675	334	334
Income per m ³ removed	680	314	170
Number of removals per month (# BINS)	27 436	27 391	27 391

	<u>2011/12</u>	<u>2010/11</u>	<u>2009/10</u>
Sewerage Statistics			
Sewerage water purification (Ml)	4 950	4 371	5 621
Cost per kl purified	7.45	7.61	3.36
Income per kl purified	10.05	8.66	4.39
Electricity Statistics			
Units (kWh) purchased ('000)	239 530	240 181	233 634
Purchase cost : cent per kWh	0.57	0.45	28.43
Units (kWh) sold ('000)	213 385	212 319	208 482
Units (kWh) lost			
with distribution ('000)	26 145	27 862	25 151
Percentage loss on distribution	10.91	11.60	10.77
Rand value of loss on distribution	27 225 398	22 953 697	12 575 500
Cost per unit sold	0.79	0.64	0.41
Income per unit sold	1.04	0.82	0.50
Number of consumers	23 089	22 590	22 590
Water Statistics			
Kl purchased ('000)	13 470	12 462	12 502
Purchase cost per kl	3.42	3.16	2.79
Kl sold ('000)	12 220	11 222	10 873
Kl lost on distribution ('000)	1 250	1 240	1 629
Rand value of loss on distribution	8 562 733	7 996 568	10 002 060
Percentage loss on distribution	9.28	9.95	13.03
Cost per Kl sold	5.91	4.52	4.33
Income per Kl sold	6.85	6.45	6.14
Number of consumers	24 358	23 907	23 597

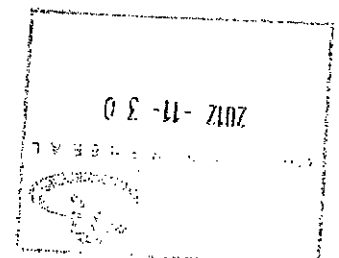


Saldanha Bay Municipality
Unaudited Appendix H
30 June 2012

Financial Institution	Call Deposit Number	Balance 30 June 2012
ABSA	2072074910	5 000 000
ABSA	2072075102	5 000 000
ABSA	2072075047	5 000 000
ABSA	2072075021	5 000 000
ABSA	2072281600	5 000 000
ABSA	2072281668	5 000 000
ABSA	2072281684	5 000 000
ABSA	2072281707	5 000 000
ABSA	2072281723	5 000 000
ABSA	2072396118	5 000 000
ABSA	2072396184	5 000 000
ABSA	2072396142	5 000 000
ABSA	2072396223	5 000 000
ABSA	2072396168	5 000 000
ABSA	2072396126	5 000 000
ABSA	2072443125	5 000 000
ABSA	2072443086	5 000 000
ABSA	2072442852	5 000 000
ABSA	2072443052	5 000 000
Sub-Total		95 000 000



Financial Institution	Call Deposit Number	Balance 30 June 2012
First National Bank	71345250642	5 000 000
First National Bank	71345249653	5 000 000
First National Bank	74355034690	5 000 000
First National Bank	74360524349	5 000 000
Sub-Total		20 000 000
Standard Bank	083290044	5 000 000
Standard Bank	083290044	5 000 000
Standard Bank	083290044	5 000 000
Standard Bank	083290044	5 000 000
Standard Bank	083290044	5 000 000
Standard Bank	083290044	5 000 000
Standard Bank	288503236	5 000 000
Standard Bank	288503236	5 000 000
Standard Bank	288503236	5 000 000
Standard Bank	288503236	5 000 000
Standard Bank	288503236	5 000 000
Standard Bank	288503236064	5 000 000
Standard Bank	288503236064	5 000 000
Standard Bank	288503236064	5 000 000
Standard Bank	288503236064	5 000 000
Sub-Total		75 000 000



Financial Institution	Call Deposit Number	Balance 30 June 2012
Nedbank	397D75665951	5 000 000
Nedbank	398D75665951	5 000 000
Nedbank	400D75665951	5 000 000
Nedbank	401D75665951	5 000 000
Nedbank	402D75665951	5 000 000
Nedbank	403D75665951	5 000 000
Nedbank	27824DZ0793952	5 000 000
Nedbank	27824DZ0793952	5 000 000
Nedbank	8888DY9725954	5 000 000
Nedbank	8889DY9725954	5 000 000
Nedbank	8890DY9725954	5 000 000
Nedbank	8891DY9725954	5 000 000
Nedbank	8892DY9725954	5 000 000
Nedbank	8893DY9725954	5 000 000
Nedbank	8894DY9725954	5 000 000
Nedbank	8895DY9725954	5 000 000
Nedbank	21555DZ0705953	5 000 000
Nedbank	21556DZ0705953	5 000 000
Nedbank	03/7881539380/000237	5 000 000
Nedbank	03/7881539380/000238	5 000 000
Nedbank	03/7881539380/000239	5 000 000
Nedbank	03/7881539380/000240	5 000 000
Nedbank	03/7881539380/000241	5 000 000
Nedbank	03/7881539380/000243	5 000 000
Nedbank	03/7881539380/000244	5 000 000

Financial Institution	Call Deposit Number	Balance 30 June 2012
Nedbank	03/7881539380/000245	5 000 000
Nedbank	03/7881539380/000246	5 000 000
Nedbank	03/7881539380/0002	5 000 000
Sub-Total		140 000 000
Investec	1100458949455	5 000 000
Investec	1100458949458	5 000 000
Investec	1100458949459	5 000 000
Investec	1100458949460	5 000 000
Investec	1100458949461	5 000 000
Investec	1100458949462	5 000 000
Investec	1100458949464	5 000 000
Investec	1100458949465	5 000 000
Investec	1100458949466	5 000 000
Investec	1100458949467	5 000 000
Investec	1100458949468	5 000 000
Investec	1100458949469	5 000 000
Investec	1100458949463	5 000 000
Investec	1100458949470	5 000 000
Investec	1100458949471	5 000 000
Investec	1100458949472	5 000 000
Investec	1100458949473	5 000 000
Investec	1100458949474	5 000 000
Investec	1100458949456	5 000 000
Investec	1100458949457	5 000 000
Sub-Total		100 000 000
Total		430 000 000

2012-11-30
AUDIT

Saldanha Bay Municipality
Unaudited Appendix I
30 June 2012

Reclassification of comparative figures

Statement of Financial Position	30 June 2011 (old)	Prior Period Error	Reclassified	30 June 2011 (New)
ASSETS				
Current assets	553 634 043	7 547 391	-	561 181 434
Inventory	3 794 135	2 661 053	-	6 455 188
Operating lease asset	327 340	-	-	327 340
Other receivables from exchange transactions	28 002 668	4 886 338	-7 391 505	25 497 501
Other receivables from non-exchange transactions	-	-	7 391 505	7 391 505
VAT Receivable	503 273	-	-	503 273
Trade and other receivable from exchange transactions	68 573 313	-	-	68 573 313
Cash and cash equivalents	452 433 314	-	-	452 433 314
Non-current assets	2 051 439 820	-82 146 509	-	1 969 293 311
Investment property	3 335 000	-	-	3 335 000
Property, plant and equipment	2 046 629 024	-82 146 509	-	1 964 482 515
Intangible Assets	1 475 796	-	-	1 475 796
Non-current assets held for sale	7 140	-	-	7 140
Non-current assets held for sale	7 140	-	-	7 140
Total Assets	2 605 081 003	-74 599 118	-	2 530 481 885
LIABILITIES				
Current liabilities	107 231 233	3 734 216	1 960 000	112 925 449
Other financial liabilities	10 489 260	-	-	10 489 260
Finance lease obligation	273 933	-	-	273 933
Operating lease liability	65 033	-	-	65 033
Trade and other payables from exchange transactions	64 875 462	3 734 216	-	68 609 678
VAT	-	-	-	-
Consumer deposits	11 024 705	-	-	11 024 705
Retirement benefit obligation	330 000	-	1 960 000	2 290 000
Unspent conditional grants and receipts	20 172 840	-	-	20 172 840
Non-current liabilities	184 063 602	-	-1 960 000	182 103 602
Other financial liabilities	77 672 426	-	-	77 672 426
Finance lease obligation	1 308 968	-	-	1 308 968
Retirement benefit obligation	56 389 000	-	-1 960 000	54 429 000
Provisions	48 693 208	-	-	48 693 208
Total Liabilities	291 294 835	3 734 216	-	295 029 051
NETT ASSETS				
Net Assets	2 313 786 168	-78 333 334	-	2 235 452 834
Accumulated Surplus/(Deficit)	2 313 786 168	-78 333 334	-	2 235 452 834
Total Net Assets	2 313 786 168	-78 333 334	-	2 235 452 834

AUDITOR GENERAL

2012 -11- 3 0

Statement of Financial Performance	30 June 2011 (old)	Prior Period Error	Reclassified	30 June 2011 (New)
REVENUE				
Property rates	106 499 256	-	-4 338 256	102 161 000
Property rates - penalties imposed and collection charges	4 556 368	-	-	4 556 368
Service charges	327 932 701	-	-11 758 121	316 174 580
Rental of facilities and equipment	9 547 611	-	-	9 547 611
Interest earned - external investments	27 546 018	-	-	27 546 018
Interest earned - outstanding debtors	1 919 647	-	-	1 919 647
Fines	2 511 497	206 820	-	2 718 317
Licenses and permits	1 399 070	-	-	1 399 070
Income for agency services	2 573 611	-	-	2 573 611
Government grants and subsidies	62 085 906	-113 660	-	61 972 246
Other Income	9 456 459	-	-	9 456 459
Total Revenue	556 028 144	93 160	-16 096 377	540 024 927
EXPENDITURE				
Employee related costs	142 860 212	2 393 618	1 702 691	146 956 521
Remuneration of Councilors	6 088 067	-	-	6 088 067
Collection costs	168 050	-	-	168 050
Depreciation	73 708 917	1 701 231	-	75 410 148
Debtors Impairment	11 036 085	-	-	11 036 085
Impairment	2 318 724	-	-	2 318 724
Repairs and maintenance	29 507 991	2 744	-	29 510 735
Interest paid	8 280 582	-	-	8 280 582
Bulk purchases	147 624 386	-	-	147 624 386
Grants and subsidies paid	19 560 755	-	-1 651 510	17 909 245
General expenses	69 259 003	19 237 266	-16 147 558	72 348 711
Inventory written off	96 972	-	-	96 972
Total Expenditure	510 509 744	23 334 859	-16 096 377	517 748 226
SURPLUS/(DEFICIT) FOR THE YEAR	45 518 400	-23 241 699	-	22 276 701

AUDITOR'S SEAL
2012 -11- 3 0

Saldanha Bay Municipality
Unaudited Appendix J
30 June 2012

Description	2011/2012						2010/2011
	Original Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousands							
<u>Financial Performance</u>							
Property rates	120 664	128 333	127 067	1 266	99%	105%	111 056
Service charges	379 078	374 526	374 527	(1)	100%	99%	327 933
Investment revenue	24 846	24 846	26 896	(2 050)	108%	108%	27 546
Transfers recognised - operational	19 638	32 792	40 745	(7 953)	124%	207%	31 726
Other own revenue	28 628	28 662	25 653	3 009	90%	90%	26 974
Total Revenue (excluding capital transfers and contributions)	572 854	589 159	594 889	(5 729)	101%	104%	525 234
Employee costs	173 131	181 166	175 340	5 826	97%	101%	146 957
Remuneration of councillors	7 811	7 507	7 581	(74)	101%	97%	6 088
Debt impairment	-	-	9 101	(9 101)	0%	0%	11 036
Depreciation & asset impairment	63 767	96 318	95 416	902	99%	150%	73 709
Finance charges	10 452	10 358	9 303	1 055	90%	89%	8 281
Materials and bulk purchases	176 853	176 853	183 053	(6 200)	104%	104%	147 624
Transfers and grants	78 448	28 287	19 025	9 262	67%	24%	17 909
Other expenditure	133 088	143 598	96 373	47 224	67%	72%	105 478
Total Expenditure	643 549	644 086	595 191	48 895	92%	92%	517 081
Surplus/(Deficit)							
Transfers recognised - capital	65 030	50 256	33 560	16 696	67%	52%	30 246
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	65 030	50 256	33 560	16 696	67%	52%	30 246
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	(5 666)	(4 672)	33 257				38 399
2012 - 11 - 30							